SAMI/Burke study eyes aspirin sales jump

— Page 12

DRUG STORE NEWS®

Vol. 10/No. 9 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. April 25, 1988

Revco bowing out of southern Florida

Stores in northern Fla. unaffected by move

By James Frederick

TAMPA, Fla. — Revco D.S. has opted to withdraw from southern Florida, and sold 11 of the 30 units it operates in the area to Rite Aid in early April. The other 19 units in the southern part of the state will be offered for sale over the next several weeks, and will be closed if no buyers are found.

> *'From a competitive viewpoint, Revco did not have the market dominance that we would like in [Delaware or So. Florida]. For us to become the first or second most dominant drug store would mean a substantial investment.'*
>
> **Boake Sells**
> *Revco chairman & ceo*

In a related development, Revco also sold its two Delaware stores to Thrift Drug in early April.

Revco's decision to exit southern Florida and Delaware was announced by chairman and ceo Boake Sells in a letter to Revco employees dated March 21. Sells called the decision "strategic in nature," adding: "From a competitive viewpoint, Revco did not have the market dominance that we would like in either area. For us to become the first or second most dominant drug store in those locations would mean a substantial investment in opening more stores, something that we were not prepared to do.

"Instead," he added, "we will concentrate resources on areas having the greatest operating significance to us."

See **Revco,** *page 244*

200+ of chain's units taken off the critical list

TWINSBURG, Ohio — More than 200 Revco drug stores placed on alert by company management last summer have boosted performance enough to be taken off the critical list, Revco chairman and chief executive Boake Sells told *Drug Store News* this month.

"About 300 stores were originally put on a monitored store list, and informed that they could be closed," Sells said.

"Since that time, 95 of those stores have been closed or sold or taken off the list," he said. "The other 205 got a letter this week from (executive vp-stores) Carl Bellini saying they

See **200,** *page 244*

Pay 'n Save engaged in talks to sell chains

Pamela Krein

SEATTLE — Backing off earlier denials, Pay 'n Save ceo Gerald Nathanson said the drug and discount chain is for sale, and negotiations with possible buyers have taken place and are ongoing.

Pay 'n Save was forced to acknowledge the possible sale of all or most of its drug stores and Bi-Mart discount stores, after the company's chief financial officer made a statement that he knew of no reason for a recent stock increase.

> *Nathanson told* Drug Store News *the cfo was unaware that negotiations have occurred and are continuing.*

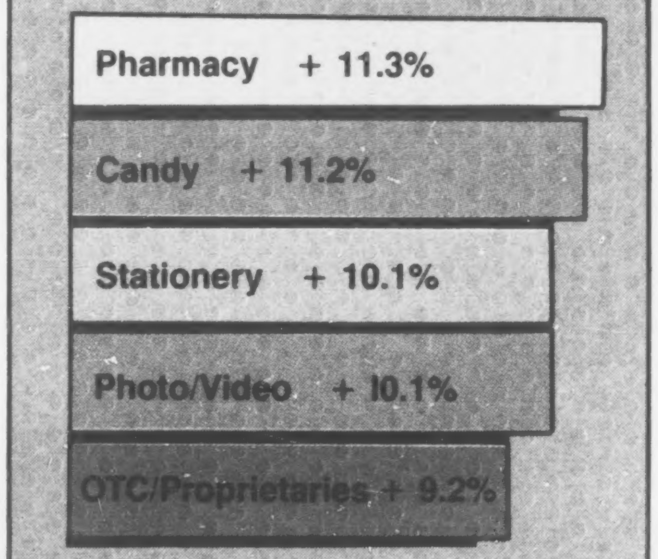
In early April, Pay 'n Save's stock rose \$1⅛ in one day to \$4¾, with trading during the day going as high as \$5⅛. During the last 365 days, the company's stock has ranged from a low of \$3 to a high of \$8⅛.

Nathanson told *Drug Store News* the cfo was unaware that negotiations have occurred and are continuing. To be clear, he added there are now no "arrangements, understandings, or agreements regarding any transaction and there (is) no assurance that any transaction (will) occur."

This announcement follows continued weak

See **Pay,** *page 244*

1987's big gainers in chain drug stores



Category sales gains are based on *Drug Store News* industrywide survey. Part II of the Annual Report of the Chain Drug Industry, covering product sales and trends, begins on **page 81.**

Bud Fantle launching a chain under own name

WASHINGTON — A new banner will soon fly over the mid-Atlantic drug retail scene.

Dart Drug chairman Sheldon "Bud" Fantle confirmed he is preparing to launch at least five drug stores named Fantle's.

The prototype stores should enable the Fantles to experiment with new retail concepts, which could feed eventually into the Dart chain. Their identity will be distinct from Dart Drug Stores.

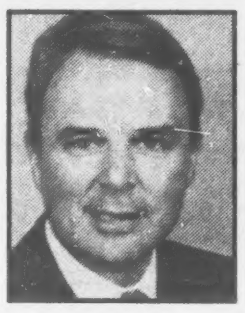
The former Peoples Drug chairman

See **Fantle's,** *page 244*

LATE NEWS

- DEERFIELD, Ill. — Aided by a lower corporate tax rate and improved operating systems, Walgreen Co. boosted net earnings 22.5 percent in its second quarter, to \$47.5 million. Sales for the period ended Feb. 29 were up 14.9 percent, to \$1.35 billion. The chain opened 42 new stores and remodeled 26 others in the first half of fiscal 1988.
- WASHINGTON — In filings with the Securities and Exchange Commmission, Lucky Stores said it would share confidential data with American Stores under certain conditions. American said it is willing to sign a confidentiality pact and negotiate all aspects of its offer to acquire Lucky.
- PORTLAND, Ore. — Fred Meyer named Frederick Stevens as chairman and ceo to succeed retiring chairman Oran Robertson. Stevens was executive vp-specialty retailing at K mart, where he spent 29 years. Robertson, 70, will stay chairman of the executive committee of the board of Fred Meyer, a 99-discount store chain, with 94 pharmacies.

Ziegler fills two key posts and promotes 5 at NACDS



Bergoffen

Briggs

ALEXANDRIA, Va. — Ronald Ziegler, president of the National Association of Chain Drug Stores, has filled two key staff positions and announced the promotions of five other staff to director-level posts.

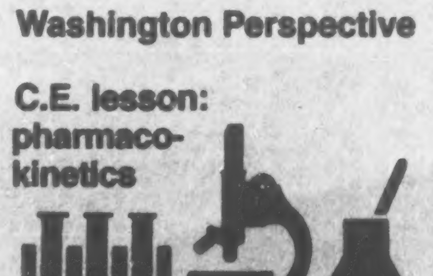
Gene S. Bergoffen was named senior vp-administration. An attorney with 12 years experience in association management, Bergoffen will assume many of the duties formerly carried out by Bill Welsh, the departing executive vp. The executive vp post will not be filled in the near future, Bergoffen said.

Bergoffen, 49, was employed the past 10 years at

Continued on page 8

In this issue: Inside Pharmacy

- **Annual report of Rx, OTCs, & home health care departments.**
- **Exclusive HMO contracts**
- **Cardiovascular drug market**
- **Washington Perspective**
- **C.E. lesson: pharmacokinetics**



NEWS IN BRIEF

Swerdin replaces Wasserman at ACDS

Swerdin

NEW YORK — Associated Chain Drug Stores announced the appointment of Burt Swerdin as merchandise counselor of H&BA stationery, candy, photo, and foods. Swerdin replaces Mike Wasserman, who died Jan. 30.

A former H&BA buyer at Caldor, the discount department store chain, Swerdin has 20 years experience in merchandising.

McKee retires after 10 yrs. with Harco

NORTHPORT, Ala. — Russell (Russ) McKee, head buyer at Harco Drug, retired April 1 after 10 years with the Alabama-based chain.

McKee handled the buying of electrical appliances, sundries, candy, housewares, hardware, notions, and hosiery. Frank Gable, vp-sales, said Harco has effected a smooth transition in which buying responsibilities have been realigned and one buyer has been added. Keith Connell continues as director of purchasing.

Mirmelstein buying Revco cosmetics

TWINSBURG, Ohio — Revco has named John Mirmelstein as senior buyer, cosmetics and fragrances. "We're pleased to add John's strong purchasing and merchandising background in cosmetics and H&BA to our revitalized marketing and purchasing efforts," said Jeffrey Doshan, Revco's vp-general merchandise manager. Mirmelstein, 42, was most recently a divisional merchandise manager at Gray Drug Fair, where he was employed for five years.

Schlenker named McKesson nat'l mgr.

Schlenker

SAN FRANCISCO — McKesson Drug Co. president Joseph Polastri announced the appointment of Al Schlenker as McKesson's national merchandise manager, sundries and general merchandise.

Schlenker, 43, is a 24-year McKesson employee who previously held the post of vp-merchandising and inventory management for the recently sold McKesson Office Products. Schlenker's areas of responsibility include general merchandise such as housewares, toys, hardware, automotive, among others and development of national promotions for McKesson's Trade and Travel Show.

Shewmaker named director at Vons

EL MONTE, Calif. — Vons has named Jack Shewmaker, former vice chairman and chief financial officer at Wal-Mart, to its board of directors. The 193-store chain said Shewmaker's retail and supermarket experience will be an additional asset to Vons board. Although Shewmaker remains on the board of Wal-Mart, he announced his retirement from the discounter on Feb. 1.

INDEX

Ads and Promotions 53
Beauty Beat 62
Kanner: Eye On The Market 64
Category In Motion .. 62
CE Lesson IP73
Cohen's Capsules .. IP3
Gladson: Manger Training 46
Inside Pharmacy ... IP3
In The Market 6
Midwest Report 8
People In The News . 16
Product Updates 77
Rx/OTC Product Updates IP68
Sami/Burke Study 12
Shulman: Technology Today ... 50
The Human Side 6
Trends: Ad Strategies 53

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus an extra Annual Pharmacists Guide to Rx/OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.
Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1988 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.
Vol. 10, No. 9 April 25, 1988

Boots states its intention to sell 62 Western stores

TORONTO — Boots Drug Stores Ltd. said it will sell 62 drug stores in the Western provinces of British Columbia, Alberta, Saskatchewan and Manitoba.

The abandonment of these markets is being prompted by continued losses, president John Cohen explained.

This will leave Boots — Canada's second-largest drug store chain — with 118 stores in Ontario.

Since the acquisition 10 years ago of the Tamblin drug store chain by England's Boots Holdings Ltd., the company has faced an uphill fight carving a niche in this market dominated by Shoppers, Big V, and other home-grown retailers.

Rumors have circulated for months about the possible sale of all or part of the chain by parent Boots of England.

When pressed in recent weeks, Boots officials declined to comment. However, trade speculation wouldn't go away because industry experts recognized the chain's problems and regarded Cohen as a potential catalyst to a sale of stores.

The appointment of new president John Cohen last year only served to heighten local speculation about the chain's future, despite Cohen's efforts to streamline operations. Cohen, who hails from Boots' English parent firm, was called "an expert on mergers and acquisitions" by one local market observer.

> *The company has faced an uphill fight carving a niche in this market.*

Boots has been stymied by several major problems over the past decade. Among them: a lack of local market expertise among its upper management staff, many of whom came from the United Kingdom and were unfamiliar with Canadian retailing; a central distribution system unable to quickly meet all the inventory needs of its far-flung, 2,000-mile store network, which stretches from Ontario to British Columbia; a highly centralized operating structure that may have discouraged store-level autonomy and incentive; and a mistaken but costly image as a high-priced retailer.

"They've been plagued by distribution problems, image problems, and a lack of direct store management," noted one Canadian retail analyst. "The stores are perceived as being expensive, even though they aren't, and they've had

Continued on page 246

Lucky rejects American's offer

DUBLIN, Calif. — Lucky Stores Inc. rejected as "inadequate" American Stores' $45 per share tender offer for Lucky's common stock and said it is considering alternatives, including a reorganization to focus on its California operations, a leveraged recapitalization, or sale of the company to a third party.

The California-based grocery chain also rejected American's proposal to sweeten the offer to $50 a share—conditional on Lucky's agreeing to a friendly, expeditious deal.

"We are confident that pursuit of one of these alternatives will provide our best opportunity to achieve greater value for our stockholders," said Lucky's chairman and ceo, John M. Lillie.

The leveraged recapitalization, mentioned as one alternative, could involve possible distributions to stockholders by a dividend or share repurchase.

Lucky also said its board had adopted a "poison pill" warrant dividend plan, under which it declared a dividend of one common stock purchase right for each share of outstanding common stock, payable to stockholders of record April 18.

American declined to comment on Lucky's announced rejection. Lucky also declined to comment further.

Lucky operates 342 stores in California—181 in Southern California and 161 in northern California. In addition, it has 94 units in Florida and 49 in its Southwestern region of Arizona and Nevada.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

PITTSBURGH 1928 — The May Drug Company of Pittsburgh figures that a good-looking warehouse can be an advertisement for its business as much as an attractive store. It believes, and backs its belief up with cold money, that the investment represented an efficient and modern warehouse will make a profit just as much as the capital used in opening new stores.

50 years ago

SPRINGFIELD, Mass., 1938 — Heralded by pages of newspaper advertising, spot announcements over local radio stations and a series of 15-minute broadcasts from the store on opening day—on which company offícals greeted the public and customers were interviewed—Walgreen Co. opened its first New England store at 1200 Main St., Springfield, Mass. The new store occupies a corner of 50 by 120 feet.

40 years ago

NEW YORK, N. Y., 1948 — Is mail order business important to the drug chains? The National Association of Chain Drug Stores sent a questionnaire to active members in July.

Of the 48 companies that replied, 19 said that they maintain centralized mail order departments, 28 said they handle mail order business but have no separate departments and one said it handles no mail order business. Eight of the 19 which have separate departments answered "yes" to the question: "Is it successful?" The other 11 did not answer this question.

30 years ago

NEW YORK, N. Y., 1958 — Sputniks, mutniks, explorers and vanguards are big news these days and as long as they remain hot copy we presume there will be at least on chain a week that will show in its advertising a ball with a toothpicks and the slogan "Values that are out of this world," or another message similarly phrased.

20 years ago

INDIANAPOLIS, 1968 — Hook Drug in Indiana is taking full advantage of its size with a program that allows chain units to exchange their slow moving Rx merchandise with other units. The plan is called "Profit Recovery Notice" or "PRN." Each Hook Drug unit, spread throughout the state, is asked to select six prescription items that are expensive and salable yet unreturnable. Listed drug are compiled at headquarters and sent back out to stores in the form of an order sheet. Stores can then order needed supplies from the slow moving or over ordered stock of other chain units.

10 years ago

WALNUT CREEK, Calif., 1978 — Long Drug Stores plans to enter the Nevada market early next year with the construction of a 25,000 sq. ft. super drug store in Carson City. The 1979 opening is slated for a strip center location that's expected to include a Lucky's supermarket. The chain's commitment to the site must be long term, because instead of leasing, the Walnut Creek, Calif.-based chain is purchasing the site its store will stand on.

SPECIAL SAMI/BURKE REPORT

Study details journal article's impact on aspirin sales

With this issue Drug Store News *launches a monthly series of articles based on SAMI/Burke statistical data from 54 leading national markets. The articles will focus on sales activity and trends in leading nonfood product categories, and will compare how those categories are faring in drug stores vs. food stores. The comparisons are possible because SAMI/Burke now has a 54-market drug store data base equivalent to the one it maintains for the food store retail class. Each issue will look at different aspects of H&BA product movement data, with particular emphasis on differences in the 54 SAMI/Burke drug and food markets.*

Product movement data from food and drug stores show the tremendous impact that a study published in *The New England Journal of Medicine* had on aspirin sales earlier this year.

The widely publicized study suggested that a regular regimen of aspirin use could prevent many first heart attacks. That study took an earlier study one step further; the initial study focused on aspirin's role in preventing second heart attacks.

In the four-week period ending Feb. 26, the period in which the announcement of aspirin's role as a possible heart attack deterrent was released, sales of aspirin products jumped in both food and drug stores.

In drug stores, overall sales of aspirin products, including aspirin, aspirin compounds, and children's aspirin, were up by almost 20 percent over the previous year, while in food stores the gain was more than 25 percent.

Particularly strong drug store gains were made in plain aspirins (sales up 35 percent) and in children's aspirins (up 61 percent). In food stores, plain aspirin sales for the period rose more than 51 percent, while children's aspirin products increased 6 percent.

The dramatic gains in aspirin sales powered the internal analgesics category to strong gains in both drug and food stores. Internal analgesics, which also include ibuprofens, acetaminophens, menstrual remedies, and arthritis remedies, were up 18 percent from last year's corresponding four-week period in both food and drug stores.

Comparing sales gains in selected leading markets, the SAMI/Burke study showed particular strong drug store aspirin increases in Los Angeles/San Diego, New Orleans, and Boston/Providence.

In the plain aspirin classification, New York was the strongest market, registering a 67 percent gain in the four weeks following the release of the *New England Journal* study.

Aspirin & aspirin compounds: Per household consumption indices for 24 weeks ended Feb. 26, 1988.

Rank	Market	Aspirin Food store index*	Rank	Market	Aspirin Drug stores index*
1	Salt Lake City/Boise	180	1	Boston/Providence	211
2	Pittsburgh	178	2	Cleveland	196
3	Peoria/Springfield	163	3	Hartford/New Haven Springfield	170
4	Seattle/Tacoma	159	4	Albany/Schenectady/ Troy	164
5	Houston	140	5	Pittsburgh	143
6	Wichita	137	6	Albany/Greensboro/ Winston-Salem	137
7	Grand Rapids/Kalamazoo	135	7	Miami	137
8	Boston/Providence	131	8	Syracuse	136
9	Portland/Concord	127	9	Portland/Concord	134
10	Kansas City	125	10	Baltimore/Washington	127

*Sales in all 54 SAMI/Burke markets combined = 100
Source: SAMI/Burke

National dollar sales trends of aspirin and aspirin compounds in food and drug stores following New England Journal of Medicine report on aspirin use to prevent heart attacks*

Product category/class	Preceding period ended 1/29/88 % change	Current period ended 2/26/88 % change	Year-ago 4-week share	Current 4-week share
DRUG STORES				
Aspirin	+ 0.3	+35.1	8.9	10.1
Aspirin compound	+ 2.3	+12.8	24.0	22.9
Children's aspirin	+ 8.5	+60.7	0.5	0.7
TOTAL ASPIRIN	+ 1.9	+19.5	33.4	33.8
Total internal analgesics	+ 5.2	+18.2	100.0	100.0
FOOD STORES				
Aspirin	+18.8%	+51.2%	9.7%	12.5%
Aspirin compound	+ 1.5	+13.6	21.1	20.3
Children's aspirin	+ 8.3	+ 6.1	0.5	0.5
TOTAL ASPIRIN	+ 7.0	+25.2	31.4	33.3
Total internal analgesics	+ 8.2	+17.9	100.0	100.0
DRUG & FOOD STORES COMBINED				
Aspirin	+11.7	+44.8	9.4	11.5
Aspirin compound	+ 1.9	+13.3	22.3	21.4
Children's aspirin	+ 8.3	+29.3	0.5	0.6
TOTAL ASPIRIN	+ 4.8	+22.7	32.2	33.5
Total internal analgesics	+ 7.0	+18.0	100.0	100.0

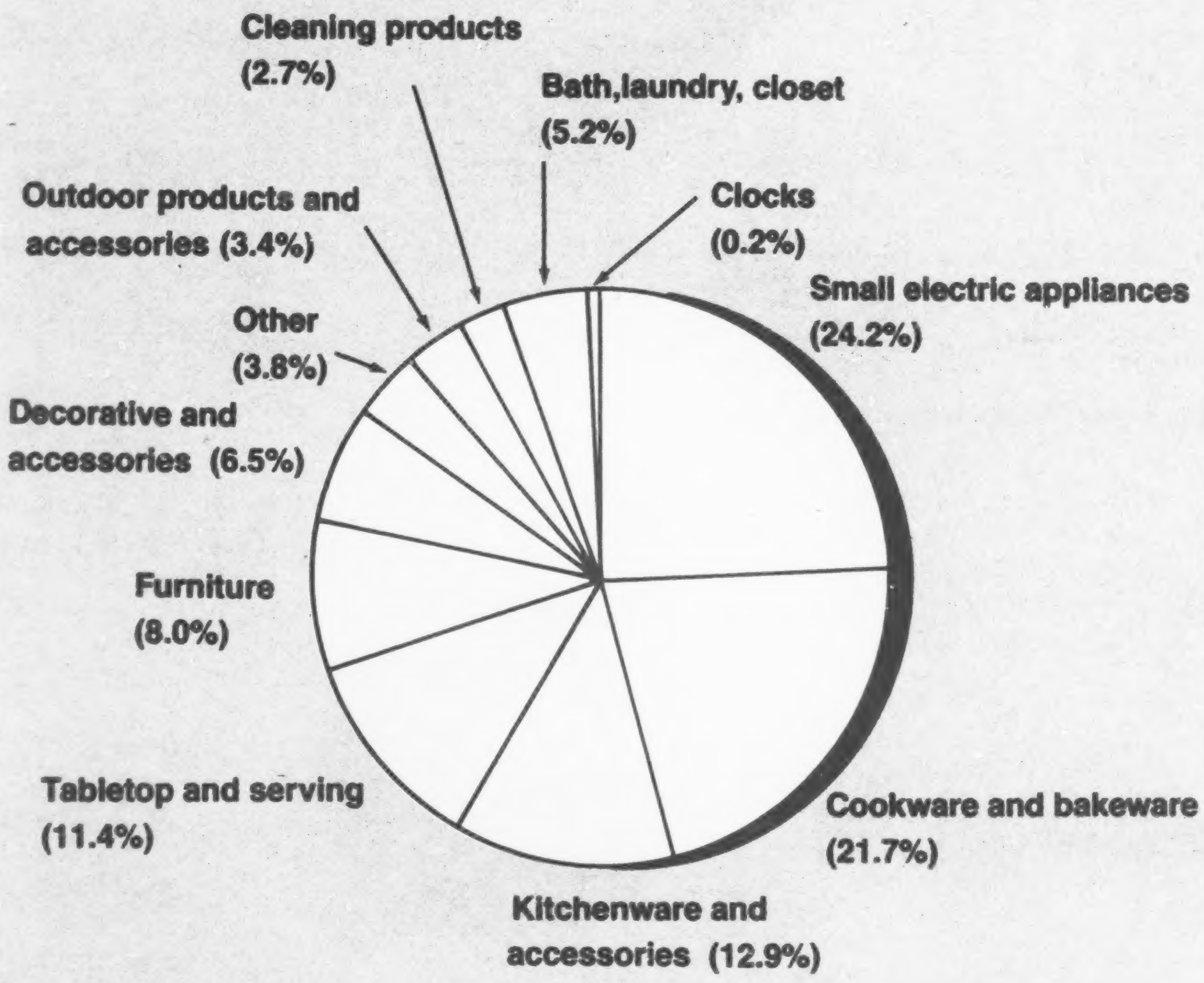
*Periods described are 4 weeks ended Jan. 29 and Feb. 26, 1988, vs. corresponding year-ago periods.
Source: SAMI/Burke

Selected market dollar sales trends of aspirin and aspirin compounds in food and drug stores following New England Journal of Medicine report on aspirin use to prevent heart attacks.*

	FOOD STORES		DRUG STORES	
Market/Product category class	Preceding period ended 1/29/88 % change	Current period ended 2/26/88 % change	Preceding period ended 1/29/88 % change	Current period ended 2/26/88 % change
CHICAGO				
Aspirin	+ 19.5%	+ 48.2%	− 7.1%	+ 29.9%
Aspirin compound	− 3.4	+ 11.8	+21.3	− 6.5
Children's aspirin	− 23.3	+ 13.9	−10.7	+ 68.3
Total internal analgesics	+ 3.7	+ 14.5	+14.6	+ 4.3
MINNEAPOLIS/ST. PAUL				
Aspirin	+ 32.6	+ 29.5	+ 9.0	+ 14.9
Aspirin compound	− 8.1	+ 10.1	−15.7	+ 5.9
Children's aspirin	− 18.0	+ 6.4	−35.3	+ 5.6
Total internal analgesics	+ 0.8	+ 18.2	+10.0	+ 12.3
ST. LOUIS				
Aspirin	+ 4.6	+ 40.0	− 6.1	+ 2.0
Aspirin compound	− 19.1	+ 14.8	− 2.6	− 18.0
Children's aspirin	− 22.3	+ 7.0	− 4.9	+ 56.5
Total internal analgesics	− 9.3	+ 24.5	− 3.2	− 2.9
BOSTON/PROVIDENCE				
Aspirin	+ 13.1	+ 59.3	− 3.6	+ 44.2
Aspirin compound	− 16.3	+ 18.1	− 3.8	+ 11.4
Children's aspirin	− 63.4	− 31.7	+38.3	+ 63.5
Total internal analgesics	− 1.9	+ 31.1	+12.1	+ 21.4
LOS ANGELES/SAN DIEGO				
Aspirin	+ 26.4	+ 59.8	+32.5	+ 65.3
Aspirin compound	+ 19.9	+ 10.5	+25.4	+ 69.8
Children's aspirin	+219.1	− 60.3	+20.5	+ 64.8
Total internal analgesics	+ 28.2	+ 14.6	+35.4	+ 60.0
ATLANTA				
Aspirin	+ 35.2	+117.2	+11.4	+ 4.3
Aspirin compound	− 2.9	+ 29.7	− 4.0	+ 29.2
Children's aspirin	− 4.2	+ 51.5	− 6.8	+100.2
Total internal analgesics	+ 8.5	+ 14.2	+ 4.0	+ 29.4
NEW YORK				
Aspirin	+ 26.6	+ 41.3	+ 5.7	+ 67.0
Aspirin compound	− 3.3	+ 21.4	+ 3.1	− 5.3
Children's aspirin	− 8.3	+ 49.2	+29.9	+ 34.8
Total internal analgesics	+ 12.2	+ 23.7	+ 9.4	+ 12.2
MIAMI				
Aspirin	+ 4.1	− 32.2	+ 9.9	+ 31.0
Aspirin compound	− 0.6	+ 24.8	+17.8	+ 9.4
Children's aspirin	− 6.1	+ 59.7	−20.6	+ 69.5
Total internal analgesics	+ 15.3	+ 7.2	+11.9	+ 21.7
NEW ORLEANS				
Aspirin	+ 15.0	+ 57.4	+33.2	+ 55.3
Aspirin compound	− 5.2	+ 2.5	+34.4	+ 46.3
Children's aspirin	− 12.5	− 4.0	+16.7	+100.1
Total internal analgesics	+ 5.8	+ 12.3	+25.5	+ 38.2
DALLAS/FORT WORTH				
Aspirin	+ 50.5	+ 87.0	+ 3.7	+ 7.2
Aspirin compound	+ 22.5	+ 19.5	+ 5.8	+ 21.0
Children's aspirin	+ 0.8	+ 57.7	−30.9	+ 33.3
Total internal analgesics	+ 28.5	+ 41.4	− 4.8	+ 13.1

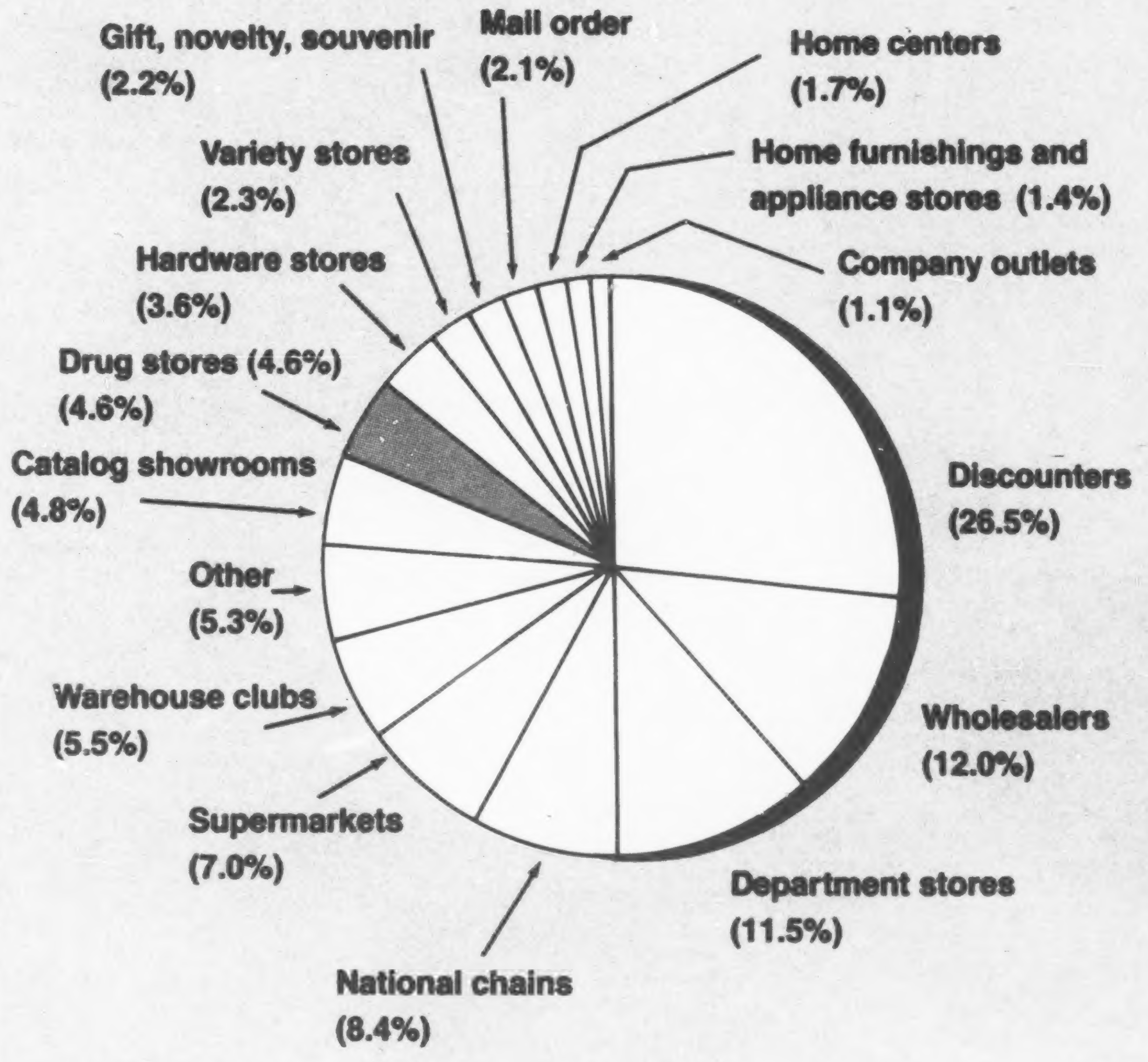
*Periods described are 4 weeks ending Jan. 29 and Feb. 26, 1988 vs. corresponding year-ago periods.
Source: SAMI/Burke

Sales distribution by product category



Source: National Housewares Manufacturers Association

Sales distribution by channel



Source: National Housewares Manufacturers Association

Drug stores earn 4.6% share of housewares

Longs Drugs
LATEX GLOVES
VACUUM CLEANER BAGS

A shopper examines cleaning supplies on Longs' shelves, Horton Plaza, in San Diego.

Small electrical products, as displayed in a Sacramento, Calif., Price Less.

CHICAGO — Drug stores currently vie for 4.6 percent of the growing housewares product sales, according to a recent report by the National Housewares Manufacturers Association.

The 1988 study revealed that drug stores came in ninth in housewares sales.

However, the 7.0-percent share by supermarkets was only slightly higher than drug store sales, and many retail segments, such as home furnishings and appliance stores, variety stores, and hardware and home centers, dropped below the drug store share.

Retailers seemed to emphasize a few key categories. Roughly 59 percent of the housewares dollar volume is generated by small electric appliances, cookware and bakeware, kitchenware, and accessories.

By itself, small electrics accounted for 24.2 percent of industry volume—a category most drug stores include as a staple in their housewares selection. Cookware and bakeware similarly account for a high 21.7-percent share of the sales volume.

Leading housewares manufacturers seemed to follow similar patterns, except that overall tabletop, servingware, and furniture also ranked highly.

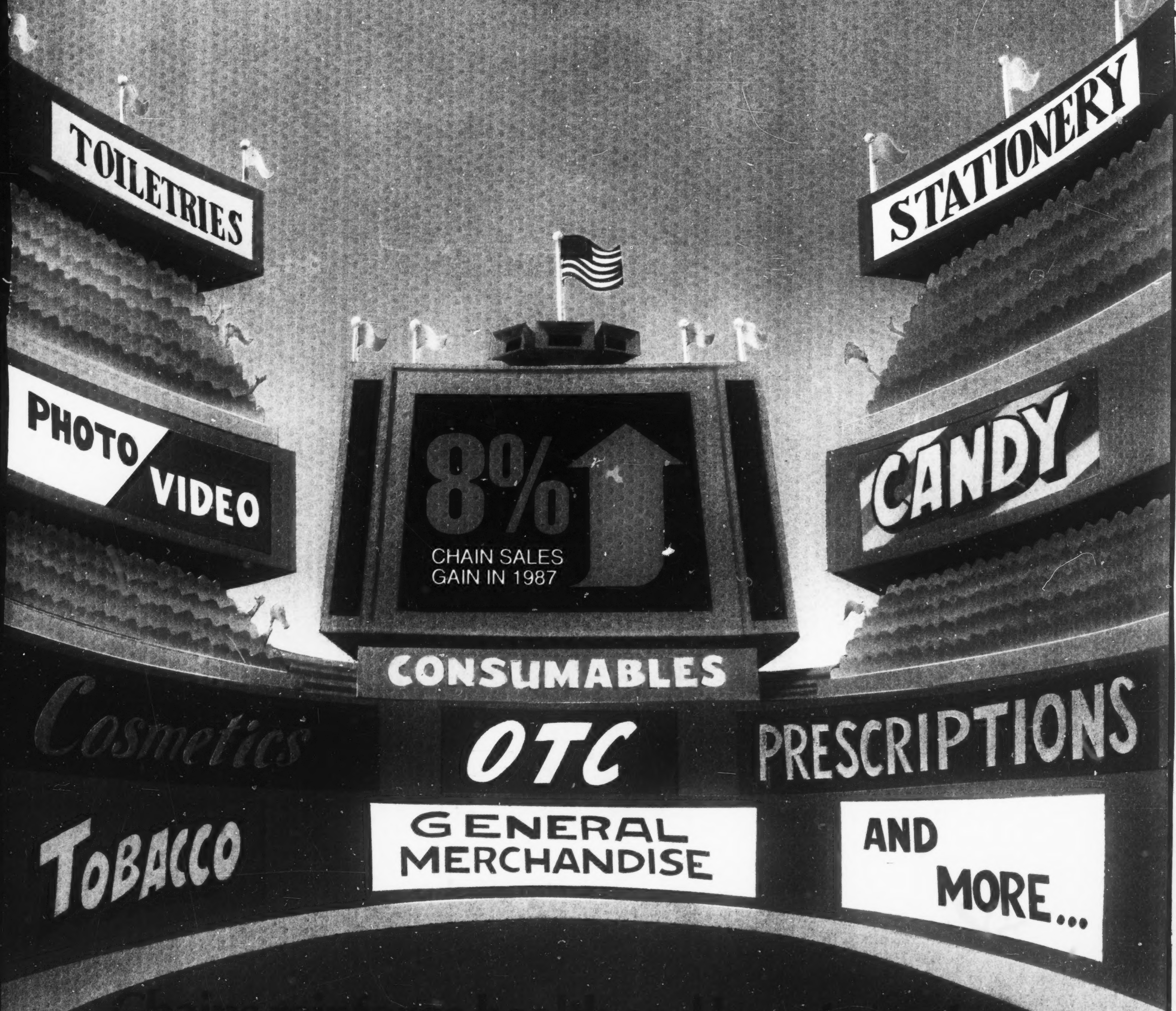
A disparity among housewares vendors was also evident in the NHMA study. About 40 percent of vendor sales are attributable to less than 4 percent of the housewares manufacturing base.

In all, manufacturers are part of a $31.3 billion housewares industry. They revealed that building sales is one of their top priorities, followed in importance by new product introductions, maintaining gross margins, and product colors, packaging, and pricing.

DRUG STORE NEWS®
April 25, 1988

THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART TWO


TOILETRIES
STATIONERY
PHOTO
VIDEO
CANDY
8%
CHAIN SALES
GAIN IN 1987
CONSUMABLES
Cosmetics
OTC
PRESCRIPTIONS
TOBACCO
GENERAL
MERCHANDISE
AND
MORE...

Chains reinforce health and beauty posture

There has been a lot new in 1987 as drug retailers took a hard look at their position in the [illegible]

and outlets are convenience offering a varied mix and quick in-and-out shopping visits.

What is new [illegible] health? From advertising and promotional [illegible]

technology to provide vital merchandising information for chains.

Many chains are more [illegible] emphasizing [illegible] convenience [illegible]

(Continued on page [illegible])

Chains reassert role as primary health care providers

Continued from page 81

in ads and circulars. Walgreens underlines convenience by plugging its 24-hour stores in large type. Peoples stresses, "We're serious about customer service. . .call us with questions, complaints, compliments," and gives an 800 number and its headquarters mailing address.

Eckerd and Rite Aid are among chains that remind customers they redeem manufacturers' coupons just as effectively as supermarkets.

It is becoming commonplace for chains to play up computerized pharmacy services in circulars and ads as a way of building their health care image. Drug Fair of New Jersey, for example, devotes half a page in circulars to explain the benefits of its Safeguard system.

In short, advertising has become a way of getting across all the things a drug store can be.

Drug stores are also acting as "good citizens" by tying promotions in with community service, such as Austin Drug's recent free-condom coupon, which was accompanied by a statement noting the contribution of condoms in fighting the spread of AIDS and giving the U.S. Public Health Service AIDS hotline number.

On a larger scale, Eckerd recently joined with Humana Women's Hospital and a television station in sponsoring its first "Healthy Woman Expo" in Tampa, Fla. More than 2,000 women attended the five-hour exhibition and seminar program, plus jazzercise classes and a maternity fashion show.

It is becoming commonplace for chains to play up computerized Rx services to build their health care image.

A growing appreciation of the benefits of automation—even a sense of its inevitability—has moved many chains to place high priority on installing front-end systems as well as pharmacy computers.

By year end, two-thirds of drug chains will have pharmacy computers chainwide, according to a *Drug Store News* survey. Many will have installed point-of-sale systems as well.

A few chains, such as Walgreens, Rite Aid, Thrifty and Pay Less NW, are embarking on long-range projects that will result in totally integrated systems linking all areas of store and pharmacy operations.

Formats

New formats unveiled over the past year run the gamut of design—some small, some large, some racetrack, some reworked in bold strokes. But all aim at refocusing on core drug store categories.

Crown Drugs of North Carolina underlined its "community store" ambiance in its new, 60- to 80-percent larger format. The chain widened aisles and introduced a diagonal aisle to heighten merchandise exposure, while preserving Crown's service, health care and convenience orientation.

"We have to be and remain a community drug store," said president Ray Gentry, noting the impact of new local competition from combos and mass merchandisers, which he feels is changing consumers' shopping habits.

Both Longs and Pay 'n Save are experimenting with small-store formats to fit special market niches.

Pay 'n Save developed its compact Limited format to exploit small sites in downtown, neighborhood and mall locations. The Limited emphasizes core drug departments, while paring exposure in such categories as snacks and candy, hardware, office supplies and promotional merchandise and elimi-

Continued on page 85

10-year sales trends

(in millions of $)
(1985 base equals 100. 1987 equals 115.2)

	1978	1979	1980	1981	1982*	1983	1984	1985	1986	1987
Prescriptions	$3,073	$3,476	$3,983	$4,612	$5,105	$5,927	$6,733	$7,669	$8,475	$9,426
OTC/proprietaries	1,730	1,964	2,235	2,575	2,879	3,201	3,595	4,087	4,468	4,882
Toiletries	1,317	1,484	1,726	2,020	2,271	2,457	2,742	3,047	3,230	3,436
Tobacco	1,089	1,219	1,354	1,518	1,702	1,806	1,979	2,127	2,205	2,279
Housewares	806	920	1,065	1,238	1,389	1,497	1,606	1,676	2,003	2,083
Cosmetics	604	708	831	976	1,107	1,205	1,352	1,481	1,605	1,715
Stationery	614	689	779	888	987	1,069	1,199	1,352	1,488	1,638
Grocery-snack-soft drinks-liquor	549	645	780	934	1,060	1,123	1,209	1,280	1,335	1,433
Photo-video	511	587	680	791	891	1,001	1,114	1,235	1,294	1,425
General merchandise	673	771	893	1,035	1,146	1,227	1,337	1,416	1,212	1,287
Candy	533	568	607	674	753	793	892	973	1,067	1,186
Toys	370	408	464	533	598	632	672	701	690	736
Do-it-yourself	205	237	275	319	356	396	420	425	400	405
Promotional and miscellaneous	366	382	478	562	579	589	657	724	745	817

*Calendar 1982 and prior-year figures restated to reflect change in definition of chains from two or more to four or more stores.

Drug Store News established calendar year 1985 as base year equalling 100. Merchandise growth shown in future census issues will reflect this index.

Source: 1988 *Drug Store News* Chain Drug survey.

Breakout of 1987 chain drug sales

Department	Total chain drug $ volume	% of increase/ decrease	% of total sales	% Gross margins	Average turns
Prescriptions	$9,425,653,000	11.3%	28.78%	35-40%	6.5
OTC/proprietaries	4,881,650,000	9.2	14.91	30-35	5.0
Toiletries	3,436,466,000	6.4	10.49	25-30	5.0
Tobacco	2,278,527,000	3.3	6.96	15-20	15.0
Housewares	2,082,639,000	4.0	6.36	35-45	3.0
Cosmetics	1,714,891,000	6.8	5.24	35-40	2.2
Stationery	1,638,318,000	10.1	5.00	40-45	4.5
Grocery/snacks/ soft drinks/liquor	1,433,040,000	7.4	4.38	15-20	12.0
Photo/video	1,424,634,000	10.1	4.35	20-25	9.0
General merchandise	1,287,419,000	6.2	3.93	35-45	5.0
Candy	1,186,211,000	11.2	3.62	25-30	7.5
Toys	736,470,000	6.8	2.25	35-40	4.0
Do-it-yourself	404,840,000	1.2	1.24	35-45	3.0
Promotional and miscellaneous	817,343,000	9.7	2.50	15-20	NA

Source: *Drug Store News* survey

Firms take bead on consumers

CHICAGO — Product manufacturers across America are shifting their focus and resources away from national, mass marketing to a more targeted, regional marketing approach, according to a recent survey of sales and marketing executives conducted by Dechert-Hampe & Co.

DHC, a national sales and marketing consulting firm, said the shift responds to fragmented consumer tastes, eating habits, lifestyles and product preferences, as well as trade promotion needs.

"Our survey indicates that the consumer market fragmentation is causing a complete rethinking of how consumer products are marketed in this country," said Lee Nichols, DHC president.

"Many manufacturers and marketers of branded, packaged goods are finding that national mass marketing programs are losing their effectiveness," he continued.

Eighty companies participated in the survey which was conducted last June and July. The majority of participating companies represented large consumer products manufacturers, followed by broker organizations.

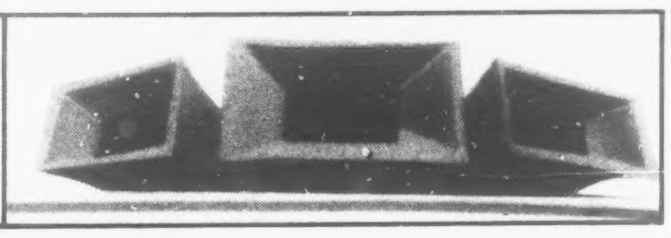
Here are some highlights of the survey:

- A majority—85 percent—of respondents perceive a competitive advantage in the regional marketing approach.
- Seventy-three percent of the companies surveyed have already taken steps to regionalize their marketing efforts.
- More than half of respondents (56 percent) have plans to implement a regional marketing program over the next 12 months; 21 percent over the next one to three years.
- Eighty percent said that trade promotions would be regionalized; 78 percent intend to regionalize consumer promotions; 52 percent said some advertising was likely to be regionalized.

When asked about the main benefits of such regional marketing programs, participants listed factors including: the ability to tailor programs better to the needs of local markets; the ability to react faster to trade programs; a better understanding of customer dynamics; and the possibility that someday there would be regional customization of products.

In addition, some respondents saw regional marketing as a way to control trade allowance and coupon spending better.

"At this point, regional marketing won't replace national campaigns," Nichols said, "but we see it rapidly achieving greater importance in the overall marketing mix."



Chains rethink their format, merchandising approaches

Continued from page 83

nating toys. Some general merchandise categories are represented only on endcaps.

Longs' first 9,700-square-foot (selling) Longs Pharmacy, opened last month, "is not a prototype, but it may become one," said Dick Scott, executive vp-operations. Like Pay 'n Save's, this smaller format provides greater market and location flexibility.

It has its own marketing and merchandising strategy distinct from Longs' larger stores, geared strongly toward pharmacy, cosmetics, OTC, candy/snacks and giftware, while retaining some presentation in categories such as gardening and pet supplies.

The Longs Pharmacy has a fountain that is a gathering place for local elderly, and at the same time a convenient takeout counter for the business center lunchtime crowd. Liquor and service photo and cosmetics departments also cater to urban shoppers interested in a quick fill-in visit.

Longs' and Pay 'n Save's smaller formats follow the direction taken by Thrifty Jr., which is sprinting ahead with plans to open 28 Jr. stores in 1988, in addition to the 40 Jrs. it had in operation at the end of 1987.

Phoenix-based SupeRx launched its first racetrack format in January and opened a second one early this month.

Some of the management team was involved with the Hook-SupeRx racetrack store in Nashville, and brought some ideas from that to Phoenix. They expect the design to be more profitable because it can expose "virtually every commodity" in the store. SupeRx is also remerchandising some of its older stores to reemphasize such core categories as pharmacy, stationery and greeting cards.

Merchandising approaches

Combos such as Vons Pavilion and Lucky Advantage are vigorously pursuing core drug store business, causing drug chains to rethink approaches to key departments. [*See stories on Vons Pavilions' revamped cosmetics department, p. 36, and Lucky Advantage's new emphasis on core drug store departments, p. 238 this issue.*]

Peoples Drug Stores, after extensively researching what customers wanted most, is undertaking an ambitious remodeling program that includes new locations and adjacencies to enhance core departments. In the new prototype, toiletries replace sundries on the wall near the entrance, bringing the customer "immediately into the environment of the core drug store," said ceo David Bloom.

Cosmetics move to the front from their former back-wall position, with a central bullpen staffed by a cosmetician, who will be available to help shoppers with hosiery, jewelry, skin care and ethnic products, too. Most general merchandise segments are relegated to back-corner areas.

Perry, in its new prototype, is enlarging its cosmetics section, as well as expanding other categories, including candy, convenience foods, laxatives and eye care. A rethinking of adjacencies produced more natural associations: condoms, for example, are next to feminine hygiene and face men's personal care products.

In other ambitious efforts to build consumer awareness of their cosmetics presentation, Thrifty threw its first World of Style and Beauty consumer cosmetics trade show last summer. Peoples is on its third year of staging its Beauty Expo, having expanded last year to two events a year, one in Atlanta and one in Washington, D.C.

Good performances in '87

The varied efforts by drug chains in markets all over the country resulted in a renewed awareness by consumers that drug stores are expert providers of health care, beauty supplies and other core products.

Chains stepped up their efforts to boost their health care image by giving pharmacy higher visibility and underscoring the pharmacist's expertise in counseling consumers on OTC items as well as prescription drugs.

The nation's avid interest in health care issues and fitness helped OTC sales grow. Among the hottest OTC categories, as revealed in a recent *Drug Store News* survey, were condoms, lens care, home diagnostics, vitamin supplements, cough/cold, analgesics and reading glasses. And during the year many of these segments were moved near pharmacy, if not already located close by, partly so pharmacists could more easily answer patients' questions about those products.

Drug chains are relying more and more on consumables to snare the fill-in shopping visit from supermarkets and convenience stores. Eckerd, for example, puts its snack and food section up front in its Spartan layout to compete for consumers' convenience trips.

Overall, buyers have reported

Continued on page 90

Many classes of trade sell drug store merchandise

Product category	Dept. stores	Discount stores	Food stores	Variety stores	Convenience stores	Catalog showrooms	Membership warehouses
Prescription drugs		B	B				
OTC drugs		A	A	C	C		C
Toiletries	C	A	A	C	C		C
Cosmetics	A	B	B	C			
Books, magazines, greeting cards stationery/office supplies	B	A	B	B	B		C
Tobacco and smoking accessories	C	B	A	C	A		B
Candy/convenience food/beverages		B	A	B	A		C
Housewares	B	A	B	B		A	B
Toys	C	A	C	B	C	B	C
Photo finishing		B	B	C	C		C
Watches & jewelry	B	B	B	B	C	A	B
Do-it-yourself/automotive supplies	C	A	C	C	C	C	B
Video cassettes	B	B	B	C	C	B	
Grocery, beer/wine		C	A		B		A

A. Drug stores face intense competition from these retail formats in these product categories.
B. Drug stores face strong competition from these retail formats in these product categories.
C. Drug stores face moderate competition from these retail formats in these product categories.

Source: Management Horizons, a division of Price Waterhouse

> *The nation's avid interest in health care issues and fitness helped OTC sales grow. Among the hottest OTC categories, as revealed in a recent* Drug Store News *survey, were condoms, lens care, home diagnostics, vitamin supplements, cough/cold, analgesics and reading glasses. And during the year many of these segments were moved near pharmacy, if not already located close by, partly so pharmacists could more easily answer patients' questions about those products.*

PERFORMANCE

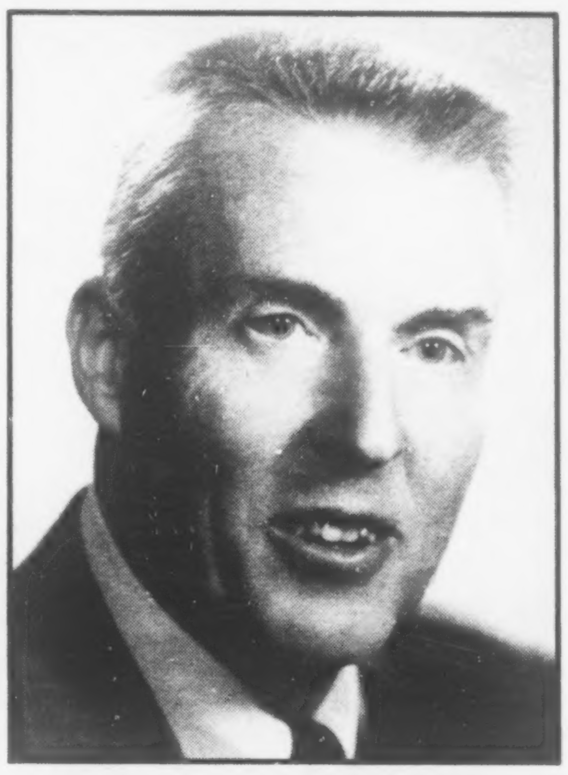
Drug chain executives comment on market conditions

Eugene Applebaum
chairman
Arbor Drugs

"In our market area both the full service Arbor Drug format and the deep discounter have continued to expand at a rapid pace. We believe that, looking ahead, we hold an important competitive edge in the number of our locations in southeastern Michigan, now 77, in addition to our growing appeal to the time-conscious shoppers of the 80s.

"At Arbor we never deviated from our base business strategy with extraneous and often confusing merchandising classifications. A case in point: pharmacy—where we place extraordinary emphasis—now represents 30 percent of our total sales, up from the 25 percent level just two years ago.

"The name of the game, from our vantage point, is the consistency in execution. At Arbor we recognize that our customers place a great deal of emphasis on the value of their own time and on what we do best: provide well-defined assortments of day-to-day needs, present clean and well-stocked stores, and offer good prices."



George H. Bartell Jr.
president
Bartell Drug

"The one thing overriding the drug store industry this year is that competition is not going to diminish, it's going to increase. The country is tending to get over-stored. We're going to see more competition from supermarkets and other purveyors of merchandise.

Because of this, there will be changes in the methods of merchandising. It's obviously going to be hypermarkets, but they're not going to dominate and the same applies to warehouse clubs.

The retail business is a matter of the survival of the fittest. There is a tendency towards consolidation, which is going to affect a lot of the markets. At Bartell, we don't have to switch to a greater emphasis on core drug store merchandising, like some drug chains, because we've always been there. We're only in fourth place in greater Seattle, behind Pay 'n Save, Pay Less NW, Fred Meyer. All of those operate quite large stores, so we can't be in that size store and operate in the marketplace. We have to be more of a neighborhood store, and there is a market for that in this area. This year we'll continue to emphasize the core business because that's where our expertise is: in this market.

Gene Bass
vp merchandising
Bill's

"The main area we're trying to work on this year is to better merchandise the checkstand area. I've custom built some special endstands and we'll be rolling these out to all our stores this year. We have found if the merchandise is properly displayed and priced, it will sell. We're not just selling magazines and film at the checkstands, but expanding into other areas like cosmetics, which have higher margins. Batteries and film still sell best, but videotapes are also selling well. We are also rolling out some clip-strips programs."

Ira Shain
president
Associated

"The merchandising background of a drug chain was the obvious—the core drug store business, which was the pharmacy and other health needs. Through an evolutionary process, drug chains went to sundry merchandise and for many years this was successful.

"However, as specialists came into the field and exploded many general merchandise categories in a single entity, or a 200,000-square-foot store or a warehouse, drug chains started to get hurt.

"So now the trend at drug chains has been a complete reversal. But I think they are wrong—the future of a drug chain is not only a core business. There is a middle ground where they can establish themselves with general merchandise.

"For example, if electronics require service and there is heavy competition, then drug chains should not sell electronics. But if housewares can be handled then that is where they should be and the category should be well covered.

"Space normally devoted to two or three categories, that are not well developed, could be better used if just one category is taken on and the chain makes a stand with it."

Fresh marketing approaches help chains accelerate in '87

Continued from page 85

big sales increases last year in edibles, in part the result of chains' heavy promotions of candy, beer, soda, chips, cookies and packaged groceries.

Some chains, such as Thrift Drug, Peoples and Rite Aid, have expanded their private-label lines into canister snacks and other other edible groceries.

Eckerd and Revco Drug report that installing single-can soda coolers in stores have helped impulse sales and to draw in new business.

Shoppers' craving for candy, a favorite item at checkout counters, translated into an 11 percent sales gain for the category last year.

Stationery continues to be a year-round source of growth for drug chains, with sales up 10.1 percent. Many chains expanded stationery departments last year, often to include more home office supplies, which is a proven hot segment. Sales in greeting cards, the largest component of stationery departments in drug chains, grew 10.3 percent.

The home video boom has produced impressive growth in sales for drug chains, despite heavy competition. Chains such as Pay 'n Save, Eckerd and Phar-Mor have expanded space and stocked more major brands of blank tapes, to take advantage of consumer demand for high quality.

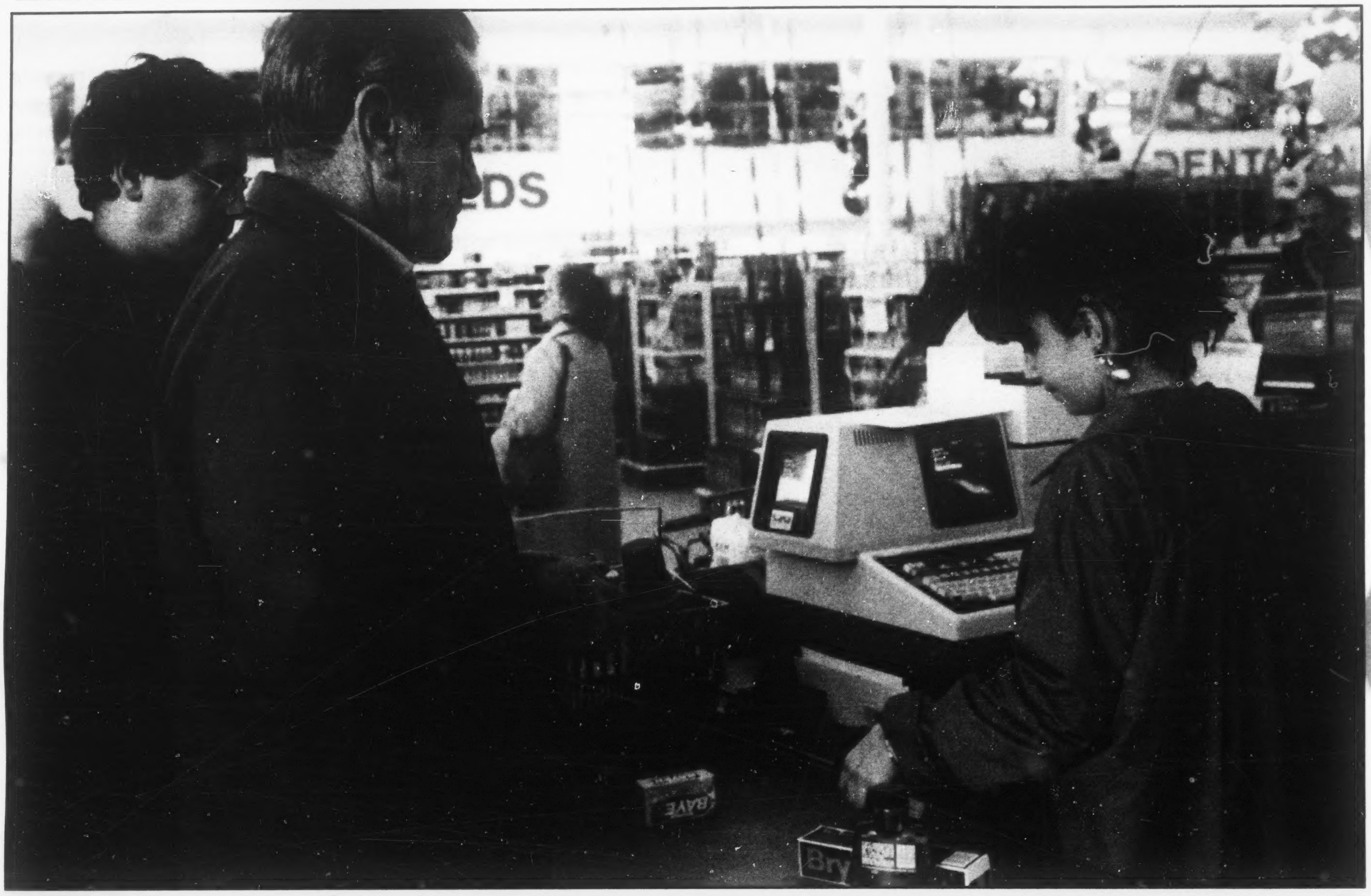
Americans' enthusiasm for amateur 35mm photography continues to translate into strong sales increases at drug chains, but the proliferation of one-hour photo labs has impacted on both chains and independents, where unit share of photoprocessing volume dropped two percentage points in 1987. Some drug chains—notably Eckerd and Canada's London Drug—have jumped in with their own in-store one-hour labs.

Housewares produced steady, if unspectacular sales gains for drug chains in '87, helped by increased efforts in household supplies, electronic humidifiers, lighting and personal care appliances.

Other categories produced more modest sales growth for drug chains:

- General merchandise/sundries sales were up 6.2 percent last year, with consumer electronics, batteries and sunglasses leading the way. Many peripheral general merchandise items continue to be culled at most chains, but these segments and a few others have gained status as part of the core drug store mix.
- Although sales rose about 6 percent in toiletries in 1987, competition from discounters, food stores and deep discounters made the category particularly competitive for drug chains.
- In toys, basics such as board games led sales. Chains that limited their investment in television toys did best in this category, where sales were basically flat.
- Aided by new fixturing and promotional tactics, drug chains maintained cigarette profits in the face of a unit sales decline at many chains. Smokeless tobacco product sales sagged, but disposable lighters sales grew 2 percent.
- Do-It-Yourself departments helped some chains snare weekday convenience shopping trips, but home center chains have dampened the importance of the category for drug chains.

PRODUCTS



Middle-aged people are now the fastest-growing group of consumers in the country. Buying power for 35-to-59-year olds is expected to increase 76 percent by the year 2000.

Aging population marks shift in purchasing power

Drug store chains won't want to miss July 20, 1988.

According to a new report by *Prevention* magazine on population and spending trends, that date will be a landmark in consumer history, as the 35-to-59-year age segment surpasses in numbers the 18-to-34-year-old segment.

The watershed date has significant repercussions for retailers, since it signals a major shift in spending power toward the middle age group that will occur through the rest of this century.

One notable conclusion of the study—called "The Money's In the Middle"—is that the long-coveted 18-to-34-year-old group isn't the only segment taking a back seat. The middle-agers will also outpace the 60-year-old-plus population group in its forward march.

"The romance with marketers has always been with youth. And I think there has been some problem in having them recognize the magic isn't there anymore," said Sanford Beldon, *Prevention* magazine's publisher.

"Not only are the middled-aged people spending more money now, but it will continue into the next century," said Beldon, adding the study further shows the growth of the 60-plus age group "pales" against that of the bulging middle.

Middle-age group grows
(in millions)

Year	18-34 group	35-59 group	60-plus group
1980	67,976	60,238	35,849
1985	70,986	65,776	39,530
1990	69,323	73,682	42,771
1995	64,222	84,434	43,771
2000	61,061	94,142	45,408

Source: U.S. Census Bureau

By the year 2000, the number of middle-agers will increase 56 percent from 1980, compared to a decline of 11 percent in the size of the 18-to-34-year-old segment.

The 60-plus age group will increase by 27 percent from 1980 to 2000, the report concludes.

Households led by someone in the middle group will accumulate more wealth faster. Now earning 53 percent of all income, the middle group's buying power will increase 76 percent by the year 2000, when the group will earn 60 percent of all income.

Income in households led by a person in the 18-to-34-year-old group, by comparison, will increase only 11 percent by century's end. Income for those 60 and above will grow by 52 percent.

Prevention's study used research compiled by the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the Consumer Research Center of the Conference Board, a business-supported, nonprofit research group.

The report shows that middle-age households are already spending significantly more on personal care products and non-prescription drugs than the young segment.

The 35-to-59 bracket spent $11.7 billion on personal care products and services in 1985, 98 percent more than the younger group and 97 percent more than the elderly, according to Bureau of Labor Statistics numbers cited in the report. The most recent year for which the BLS tabulated its survey results was 1985.

Middle-age households spend on average $324 yearly on these products and services, compared to $202 spent by 18-to-34-year-olds, and $225 for the 60-years-and-over segment.

The group spent $4.8 billion on nonprescription drugs and supplies, 145 percent more than the younger group in 1985. Seniors outspent the middle group that year in this category by 1 percent, said the report, which also tracked spending on categories including food, automotive products, and travel.

Buying power shifts
(income, 1985 dollars, billions)

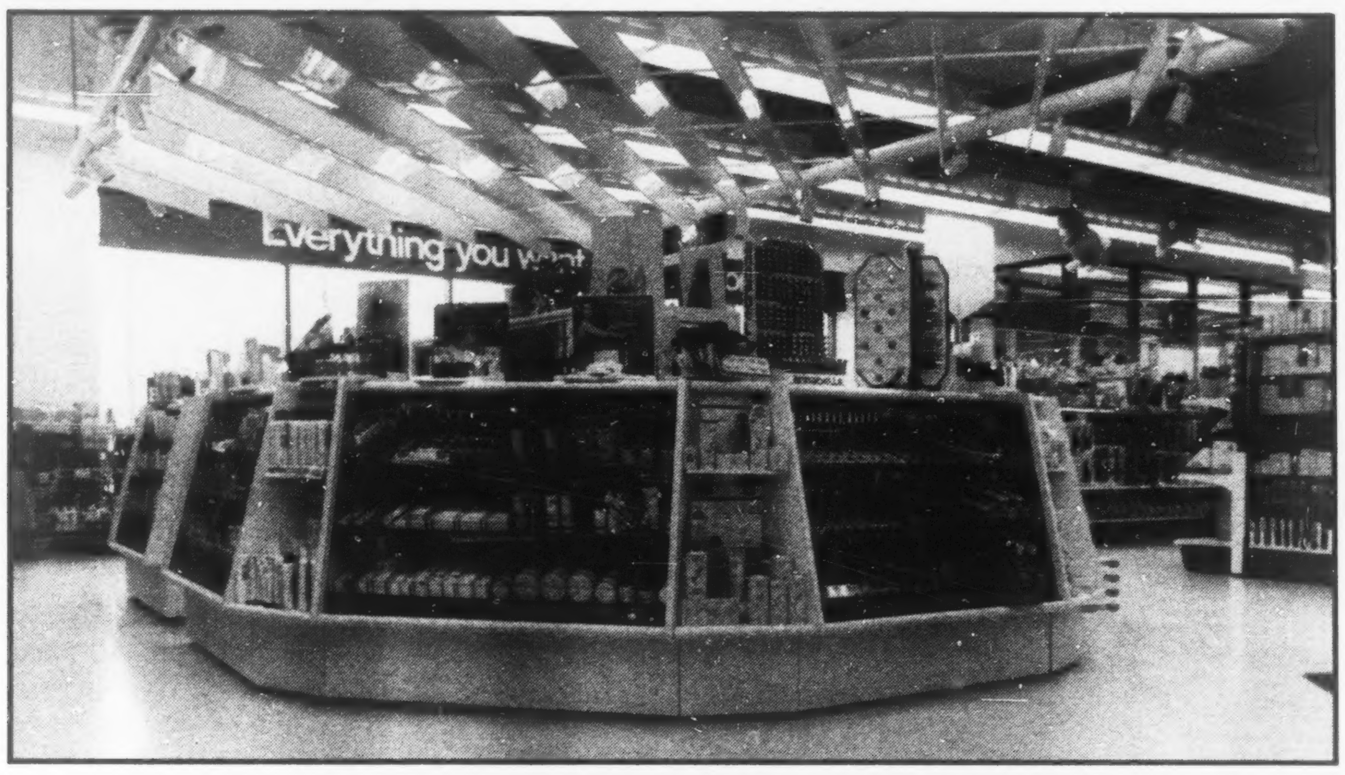
Year	18-34 group	35-59 group
1985	$614.4	$1,247.9
2000	682.5	2,193.2
% change	11	76

Sources: The Conference Board, *Prevention Magazine*

Older consumers spend more on drug store items
(1985 expenditures in millions)

	18-34 group	35-59	60 plus
Personal care products & services	$5,925	$11,724	$5,807
Non-prescription drugs/supplies	2,001	4,893	4,962

Source: U.S. Bureau of Labor Statistics



In the four months since Shoppers Drug Mart has been testing a new cosmetics department design, sales for the department in the test store have grown in double digits. Cosmetics now accounts for about 12 percent of sales in the prototype store, compared to about 10 percent in the traditional Shoppers stores.

1987 cosmetics department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Fragrances	$ 514,987	4.3%	23.10%
Toilet water/cologne	396,150	4.8	17.80
Perfumes	90,820	2.3	4.10
Body sprays	28,017	4.0	1.30
Pegged cosmetics	401,688	9.7	18.00
Facial treatments	239,732	6.8	10.70
Nail polish/nail preps	173,050	10.9	7.80
Bath preps	146,496	7.5	6.60
Lipstick/lip color	143,649	5.9	6.40
Make-up, powder, cream, liquid	95,290	2.9	4.30
Total	$1,714,891		100.00%

Source: *Drug Store News* survey

Chains: Cosmetic and fragrance sales up 7% in '87

Cosmetics and fragrances sales were relatively stable in chain drug stores in 1987.

Most buyers say their overall color cosmetics and fragrances sales for the year were up about 6 percent, with a few buyers saying they had growth of 10 percent or better, and a handful saying overall sales were flat.

Based on a *Drug Store News* survey of buyers, total cosmetics and fragrances dollar sales were up approximately 7 percent in chain drug stores in 1987.

Buyers say the established lines continued to perform well in their stores in 1987, with Revlon, Cover Girl, Almay, L'Oréal, Maybelline, and to a lesser extent Clarion, getting the best overall ratings.

In fragrances, buyers continue to single out Lady Stetson, Vanderbilt, and Primo as their best sellers. Xia Xiang, a new launch last year, has gotten a lot of good reports, but the concensus on Cosmair's new Glorious is that it isn't living up to its potential so far.

In men's fragrances, Stetson and Chaps are still the leaders in the mass prestige segment, and Old Spice and English Leather still dominate the male toiletries segment.

Buyers say Coty's new Iron and Shulton's new Night Spice performed well at Christmas, and seem to be the two strongest launches from last year's new pack of men's fragrances.

Musk is still selling well in chain drug stores, and buyers say that last Christmas most of the major musk brands like Jovan Musk, Coty Musk, and Chaps Musk sold well.

The Pierre Cardin Musk, however, and the original Pierre Cardin fragrance did not sell as well, buyers report. Another prestige brand, the two-year-old Adidas line, did better this year than it did last Christmas when it was first launched.

Alternative designer fragrances, with a few exceptions, have not done as well this year as they have in the past. Most buyers say they are now cutting back to just one alternative designer line in their stores, and that line is usually displayed on an end, or in a floor or counter display for maximum visibility.

Primo, however, continues to do well in the category, and buyers are now so comfortable with the line that they treat it as a brand. Primo is usually displayed on a shelf next to its competition from Revlon, Coty, and Cosmair.

Many buyers tell *Drug Store News* they are trying to spark more fragrance sales by giving them more exposure in off-shelf displays and on ad.

1987 cosmetics department highlights

Chain drug cosmetics sales	$1,714,891,000
1987 percentage increase	6.8%
Percentage of total chain drug sales	5.24%
Typical gross margins	35-40%
Industry profit yield from cosmetics last year	$600,000,000 to $685,000,000
Average annual department turns	2.2

Source: *Drug Store News* survey

Many chains are also trying to modify their operations so that sales clerks can be kept visible in the areas where fragrances are displayed under glass.

Buyers still say that manufacturers need to do more to create "excitement in this category," but some also add that it is the chain drug store's responsibility to "get more creative with our merchandising."

Some chains have also tried advertising a gift with purchase for their fragrances. One buyer said chain drug stores have to do more "than promote price to sell fragrances. We have to do more department store merchandising," she said, "so we can create the right image for the department, and so we can attract the department store shopper."

In color cosmetics, Revlon scored well with its new Anti-Aging moisture and gel line; buyers say Maybelline's new liquid makeup line, Sheer Essentials, is off to a good start; Noxell is continuing to do very well with its Cover Girl Oil Control makeup line, and Maybelline is also doing well with Shine Free.

In fact, buyers tell *Drug Store News* that foundations and powders for oily skin are out-performing the face makeup category as a whole. Noxell recently extended its Oil Control line with a new Cover Girl Oil Control Finishing Powder for the face, and Del Labs is rolling out its first line of Flame Glow face makeups, a 16-SKU line of oil-free foundations, powders, a concealer, and a blush that will all debut later this year.

Buyers estimate that their growth in this oil-free segment is between 10 percent and 15 percent, and sometimes better.

Eyeliners are also continuing to do well in the market, buyers say. So are eye pencils, mascaras, nail color, nail treatments, and eye shadows. Eye treatment creams and treatments designed to alleviate stress lines or aging lines from the face are also doing well.

Last year there were literally dozens of launches in the eye stress-eye rejuvenation category.

Buyers say that some of the brands doing well in that segment include Revlon with Anti-Aging, Max Factor with Erace, Noxell with its Replenishing Eye Cream, and Almay with its Stress Cream and Stress Lotion.

"The department stores have done a lot to popularize this category," said one buyer. "Women who shop department stores sometimes pay $50 to $70 for a jar of anti-aging or rejuvenation cream.

"I think as we build this category up, we can get at least some of those shoppers to trade down, plus we may be able to get some of our regular skin treatment shoppers, who just buy a single item of a mass treatment brand, to trade up to a Revlon or an Almay regimen."

Artificial nails seem to have peaked in mass drug store sales. Lee Nails is still the dominant brand in the category, and buyers say that line continues to sell well. Buyers add that there is none of the dramatic growth that characterized this category just a year ago.

Nail treatments, however, are still going strong, and buyers estimate their sales are still growing at rates of 10 percent and more.

The leading brands continue to be Sally Hansen, particularly with Maximum Growth, and La Salle 10, particularly with No Chip.

Buyers say that treatment sales have been helped by the popularity of nail extenders. "The extenders have made women more conscious of their nails, and sometimes they have exaggerated existing nail problems," said one buyer. "Women who wear nail extenders too long sometimes have problems with their cuticles or their nail beds, so then they turn around and buy a treatment product."

Buyers also say that more women are buying color products now because the treatment products have worked, "and for the first time, they have long, natural nails, that they feel they can color [them] and show off."

In the area of merchandising, many chains continued to try to upgrade their cosmetics departments in 1987.

Peoples Drug in Alexandria, Va. seems to be the most committed to making a major change, and Peoples is in the process of renovating all its stores. In all new and renovated stores, the cosmetics/fragrances department is being brought up front. Service bull pens are being installed in most stores, and there is a whole new decor package for cosmetics that gives the section more of a department store flavor.

Nail treatments are continuing to show strong growth. Some chains say their treatment sales are growing better than 20 percent a year. Most drug chains today give treatment to their own generic set. Their feeling is that the nail treatment customers sometimes have several different treatment problems at once, and that a generic set gives stores the chance to capture related product sales.

Most of the major drug chains, however, are continuing to make subtle rather than dramatic changes to their cosmetics merchandising. Their strategies range from installing new fixtures in selected renovated stores and in many new stores, to trying to improve their mix with the addition of more upscale brands. Many chains are also working on improved training programs for their cosmetics

Continued on page 98

PRODUCTS

Overhangs in the cosmetics departments are popular this year. Chains say they attract attention to the department without distracting the customers away from the products as photos sometimes do. The concept first became popular with drug chains in Canada, and is now making its way to the United States.

Cosmetics, fragrances post 7% sales gain in drug chains

Continued from page 97

sales clerks so they can generate more suggested sales, as well as give customers better attention.

Among the chains taking some variation of this approach are: SupeRx Corp.; Columbus and SupeRx of Phoenix; Perry Drug in Detroit; Eckerd in Clearwater, Fla.; Drug Emporium in Cleveland; F&M in Detroit; Fay's; Austin and Genovese in New York State; and K&B in New Orleans.

In the discount store industry, K mart is really striving to improve its cosmetics selection. The chain has installed upscaled new fixtures in over 200 stores, and plans to do about 300 more stores this year, and another 500 next year and the year after.

K mart is also experimenting with new adjacencies for cosmetics, testing it near women's apparel in some stores, and in high traffic aisles in other stores.

K mart's cosmetics buyers are also trying to upgrade the merchandise mix. Their plan is to eventually supplement their fairly broad mix of lower-cost lines with the addition of more mass prestige lines.

In 1987 and so far in 1988, chains have continued to advertise cosmetics aggressively. Many ads try to make a fashion/value statement rather than simply promote low prices.

Buyers say they are looking for more "creative" promotional vehicles from their manufacturers, particularly "exclusive" promotional programs and more gifts with purchases.

Many chains are also continuing to conduct beauty shows as a way of showing the consumer how much fashion their stores have to offer. This year Peoples, Thrifty, and SupeRx all repeated beauty shows in selected markets, and Fay's is doing its first show in Rochester. Eckerd continues to participate in a show staged by the Southern Women's Association.

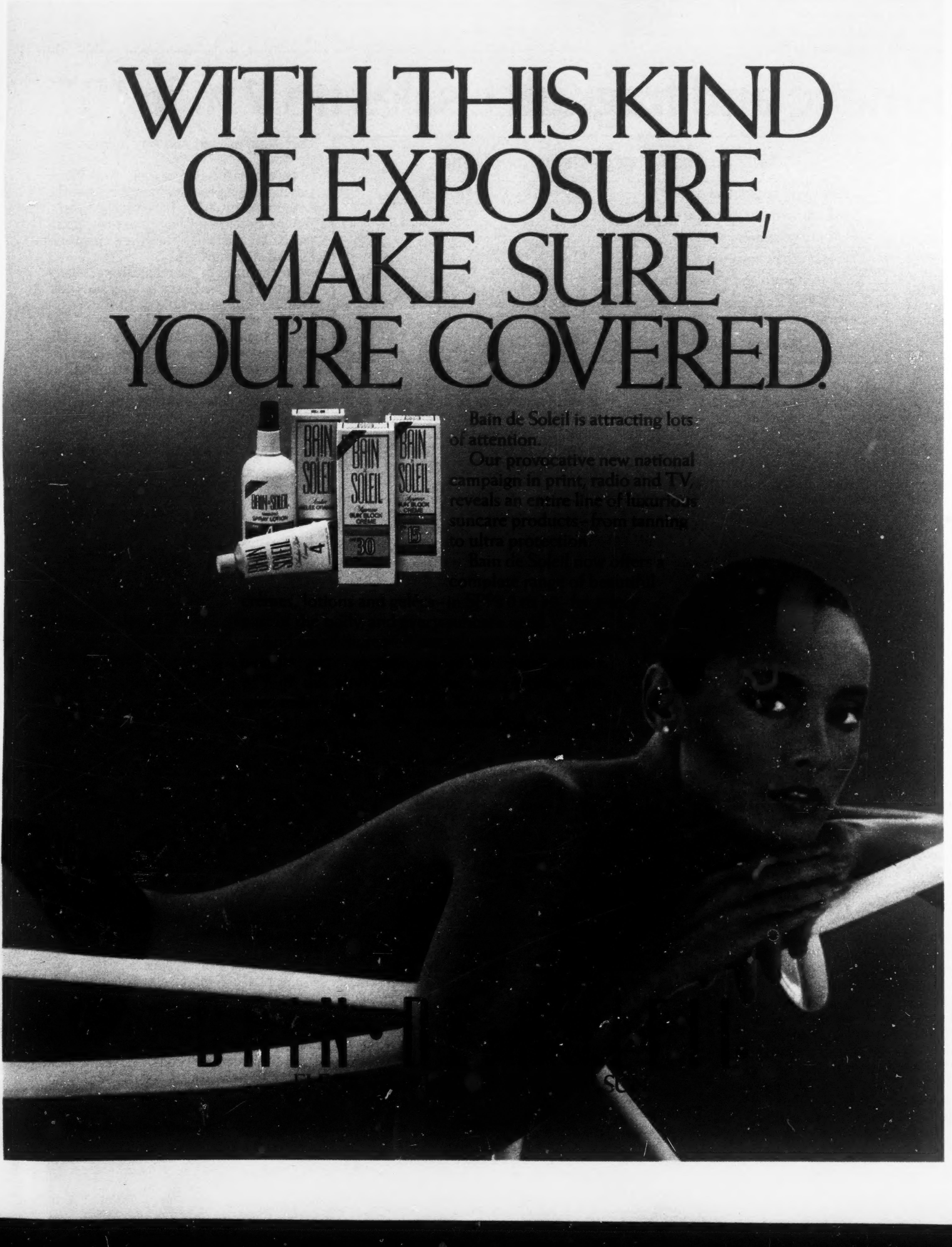
Buyers say that despite the tremendous work involved in staging such shows, they pay off in the long run because of the publicity and "good will" they generate.

Buyers also say that money is not the object in staging such shows. Despite the hefty sums that some chains charge vendors to participate, buyers insist all the money is "plowed back" into the budget for the show. It goes to pay the fees for celebrity guests like soap opera stars and Miss America, and to cover the cost of the production of the show.

In looking ahead to the second quarter of 1988, buyers say they are mainly expecting "moderate growth" from cosmetics, but they say their strategy will continue to be to try to lure department store shoppers into drug stores for the "convenience" of a cosmetics purchase.

At the same time, they are also looking for ways to trade up their current shoppers to make more high ticket purchases in cosmetics and fragrances.

To achieve both these ends, buyers say to expect more upgradings of cosmetics, and a stronger emphasis on service and training of cosmetics clerks.


WITH THIS KIND OF EXPOSURE, MAKE SURE YOU'RE COVERED.
BAIN DE SOLEIL
BAIN DE SOLEIL
30
BAIN DE SOLEIL
15
4

Bain de Soleil is attracting lots of attention.

Our provocative new national campaign in print, radio and TV, reveals an entire line of luxurious suncare products—from tanning to ultra protection.

PRODUCTS

Buyer survey reports dip in fragrance sales growth

Chain and independent drug store buyers are telling the investment community that fragrance sales were relatively flat in their stores last winter.

The buyers registered their opinions in a winter 1987 survey just conducted by the New York investment firm, Goldman Sachs. *Drug Store News* will carry an additional report on the Goldman Sachs cosmetics findings next issue.

In this survey, fragrance buyers were more pessimistic about growth in fragrance sales. Some 25 percent of them reported that their winter fragrance sales were down between 1 percent and 5 percent. In comparison, only 14 percent of the buyers in the Goldman Sachs summer 1987 survey reported that trend.

There were also fewer buyers in the survey reporting that winter fragrance sales were up over 6 percent: 29 percent reported increases of better than 6 percent for fragrances this winter, compared to 41 percent who gave that answer in the summer survey.

HANEL
CHANEL
L'OREAL

Fragrance sales have been relatively flat in chain drug stores this year. Buyers say that's partly because the category needs strong merchandising in order to generate impulse sales. Most buyers say the best way to merchandise fragrances is on an island display which gives the category a touch of department store ambiance.

Buyer responses to the unit sales question in the survey confirmed the softening trend.

This period, 78 percent of the survey reported that unit sales were running no better than 5 percent.

Just 60 percent of the buyers in the survey gave that low a response just six months ago.

Only 4 percent of the buyers surveyed this period reported strong unit sales gains above 10 percent, compared to 15 percent who reported the stronger gains in the last survey.

Goldman Sachs reports that these trends "seem to suggest that a number of recent new product introductions such as Glorious, X'ia X'iang, and Lady Stetson have been unable to meaningfully accelerate the overall growth rate of fragrances sold through mass market distribution channels."

Goldman Sachs also reports that more buyers say they saw their consumers trade down in price last winter compared to the summer period.

Some 36 percent of the buyers reported seeing trading down activity in this survey, compared to 16 percent of the buyers noting that trend last summer.

Sachs says "This reverses a trend seen in our past several surveys of decreasing consumer price sensitivity.

"While unit sales gains already appear to be sluggish, we believe that manufacturers may find it increasingly difficult to push through aggressive price increases in the current, uncertain economic environment. Buyer voting seems to support this view."

Buyers also told Goldman Sachs that there hasn't been any meaningful acceleration in mass market fragrance pricing in the last six months. However, the fact that they are simultaneously reporting that consumers are becoming more price-conscious causes Goldman Sachs to speculate that "sluggish demand may be enough to prevent meaningful price inflation in the mass market fragrance area."

For the first time, Goldman Sachs also asked fragrance buyers to select an all around "best vendor, best vendor sales force, best new product," and other categories.

The winners were:

- Best sales force: Coty
- Best advertiser: Coty
- Best new product or line: X'ia X'iang
- Best small vendor: Parfums de Coeur
- Best "all around" vendor: Coty

Sachs says Coty "easily outdistanced the competition" to finish as the buyers choice for best sales force. Runner-ups were Houbigant and the Cosmair Designer Fragrance Division, but Sachs says they finished "way back in the pack."

Coty had to run a much closer race to win the award for best advertiser. In that voting, Coty just managed to "nudge out" Revlon, Sachs says.

Sachs says that Coty, which has given considerable marketing support to its Stetson, Lady Stetson, and new Iron brand, "clearly supplements service to retailers with a strong national as well as regional advertising campaign."

Revlon, Sachs concluded, recently revamped its advertising strategy and increased its fragrance marketing budget, and was successful enough to give Coty a tough challenge for the top spot.

X'ia X'iang took the award for best new product. Runners-up were Glorious, Iron, and Night Spice. Coty's Lady Stetson, actually launched in 1986, also got mentioned as one of the best new lines.

However, Goldman Sachs also cautioned that the Glorious launch "may be falling short of expectations."

Sachs acknowledged that Glorious wasn't fully rolled out at the time of the survey and that it may still be "too soon to tell," but they said the fact that Glorious failed to make the list of best-selling fragrances and did not show up "strongly" in the mentions for best new products was cause to wonder about the strength of the launch.

Parfums de Coeur was chosen as the best small vendor. The vote was close, with Dana Perfumes, which markets Canoe and Ambush, finishing in the runner-up position.

Because Parfums does not have its own sales force, but almost exclusively uses manufacturer sales reps to sell its fragrances, Sachs called Parfums victory in the voting "most impressive" and said that it "points out the strong foothold this marketer of designer imposter scents has established in mass market distribution channels."

Coty had some competition for the all around best vendor award. Sachs says there was strong voting for Houbigant, Cosmair, Parfums de Coeur, and Revlon.

But Sachs said the buyers in this survey "clearly view Coty as being superior marketers in terms of advertising and service."

Sachs also pointed out that it wasn't surprising that 60 percent of the survey respondents also reported they were increasing space for Coty fragrances.

Coty's Stetson and Lady Stetson also "perennially appear on Sachs's list of best selling men's and women's fragrances.

Best-selling fragrance brands according to buyers

(% of respondents)

Men's Fragrances	
Stetson	71.1%
Polo	32.2
Chaps	25.6
Old Spice	21.1
Women's Fragrances	
Vanderbilt	58.9%
Primo	27.8
Lady Stetson	17.8
Chanel	14.4
Forever Krystle	14.4

Source: Goldman Sachs Winter '87 Fragrance Buyer Survey

Only 11 percent of the buyers reported decreasing space for Coty.

Buyers also said they were giving more space to the Cosmair fragrances. Some 50 percent of the buyers reported they were increasing space for Cosmair while just 11 percent said they were decreasing space.

Charles of the Ritz did better in this survey than in the earlier summer '87 survey: 35 percent of the buyers said they were increasing space for Ritz, versus 12 percent who said they had that intention in the summer survey.

Some 30 percent said they were decreasing space for Ritz, however, and that is still a high pecentage compared to the responses for other brands.

This period, more buyers said they were decreasing space for Adolpho, Albert Nipon, and Bonne Bell.

Fabergé showed an improvement with only 30 percent of the buyers saying they were decreasing space compared to 50 percent last summer.

The majority of buyers also said they were leaving space unchanged for the following brands: Dana, Arden, Jovan, Factor, and Nina Ricci.

The majority of buyers picked Stetson, Polo, and Chaps as their best selling men's fragrances, and Vanderbilt, Primo, and Lady Stetson as their best selling women's fragrances.

About a third of the survey respondents reported that women's fragrance sales were "above average" during the winter period while 55 percent said they were average.

Only 7 percent of the buyers, however, reported that men's fragrance sales were above average while 80 percent said they were just "average."

Most buyers, 80 percent, said they were leaving selling space for men's fragrances unchanged. Ten percent said they were increasing space and 10 percent said they were decreasing it for this category.

Buyers report on winter fragrance sales performance

	Dollar sales		Unit sales	
	Winter '87	**Summer '87**	**Winter '87**	**Summer '87**
Down 1% to 5%	25%	14%	25%	14%
Up 0% to 5%	46	45	53	46
Up 6% to 10%	25	28	18	25
Up 11% to 15%	0	7	0	11
Up 15% and over	4	6	4	4

Source: Goldman Sachs Winter '87 Fragrance Buyer Survey

Survey buyers hail from small outlets

The Goldman Sachs fragrance buyer survey is done twice a year: winter and summer.

In the current survey for winter 1987, 88 percent of the respondents were from chain drug stores and the rest were from independents.

In this sampling, the respondents were slightly skewed to small and mid-sized chains.

16 percent of the respondents bought fragrances for chains with more than 251 stores; 16 percent bought for chains with between 100 and 250 stores, and 26 percent bought for chains with between 25 and 99 stores.

26 percent of the respondents bought fragrances for between 1 and 10 stores.

PRODUCTS

Many drug chain buyers are moving to a "less cluttered" presentation of cosmetics products in their stores. They say the category does best in a "clean environment" with uncluttered aisles and lots of elbow room for browsing.

Cosmetics buyers are hoping to get some of their teenage and younger consumers to trade up to higher ticket purchases in their stores. Retailers say the mid-priced lines like Cover Girl and Maybelline are selling fine, but they'd like this segment to buy more Revlon and L'Oréal too.

Chain drug stores are trying to make more of a fashion statement with their cosmetics merchandising. They want their stores to look like they have the latest hot products, and are as attractive and exciting to shop as department stores.

Men's fragrance toiletry sales have been flat in chain drug stores this past year, buyers say. Musk is still selling well, but so are the basic toiletries like Old Spice and the prestige brands like Stetson and Chaps.

Demographic trends lead to cosmetic profits: U.S.

WASHINGTON — Cosmetics sales will continue to grow by more than 2.5 percent per year through 1992 if drug store retailers adapt to the changing makeup of U. S. consumers.

According to a recent U. S. Department of Commerce report, industry shipments of all cosmetics, toiletries and fragrances will reach an estimated $13.6 billion in 1987, a rise of 3.6 percent. However, to realize the forecast growth for 1988 (about 2.5 percent after adjusting for inflation) and later years, cosmetics sellers must offset the decline in the number of prospective teen and young adult customers by tapping the 45-55 and over-65 age groups, "two of the most rapidly growing segments of the U. S. population."

"These demographic changes open up opportunities for new skin, hair and oral hygiene products, including moisturizers, skin lotions, desensitizing and antiplaque toothpastes and hair conditioners," said government researchers. "The current emphasis on health and fitness should also spur sales."

Cosmetics sellers must offset the decline in teen and young adult customers by tapping the 45-55 and over-65 age groups.

Another key to improving cosmetic sales in coming years is the skyrocketing market for ethnic beauty aids.

"Sales of skin treatment, hair and makeup products for the ethnic market could double in the next five years, depending on the availability of products suitable to specific hair and complexion requirements," economists predicted. Researchers estimate the current ethnic market at about 50 million consumers, including between five and six million black women who work outside the home.

Long-term projections for growth in beauty aid sales will be affected by development of new products for "aging skin," as well as sunscreens, tanning accelerators and tan-sustaining products, according to predictions. After allowing for inflation, government forecasters said cosmetic shipment value should rise 2.6 percent annually over the next five years.

At the same time, drug store cosmetic sales, specifically, may suffer from growing competition from hair stylists, based on salon performance last year.

"Beauty salons, an important outlet for cosmetic products, are expected to show retail sales of $1.4 billion for 1987. . . their potential as outlets is still far from being realized. . . ," economists said.

PRODUCTS

Competitive pressures make toiletry sales hard won

1987 toiletries department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Handcream/skincare	$ 428,767	8.0%	12.48%
Deodorants	390,102	5.4	11.35
Men's toiletries	377,243	4.0	10.98
Shampoos	358,886	4.3	10.44
Hair color	312,980	7.0	9.11
Ethnic (incl. black cosmetics)	246,812	8.5	7.18
Rinses & conditioners	222,050	3.0	6.46
Suntan/sunburn	167,989	10.1	4.89
Razors (incl. disposable blades)	156,598	6.2	4.56
Body creams & lotions	146,579	2.2	4.27
Hair sprays	145,386	13.3	4.23
Hair notions	128,028	10.1	3.73
Styling aids	66,428	13.3	1.93
Shave creams	55,430	8.3	1.61
Perms/straighteners	26,156	4.5	0.76
Depilatories	11,632	8.5	0.34
Miscellaneous	195,401	4.8	5.69
Total	$3,436,466		100.00%

Source: *Drug Store News* survey

1987 toiletries department highlights

Chain drug toiletries sales	$3,436,466,000
1987 percentage increase	6.4%
Percentage of total chain drug sales	10.49%
Typical gross margins	25-30%
Industries profit yield from toiletries last year	$860,000,000 to $1,030,000,000
Average annual department turns	5.0

Source: Drug Store News survey

A majority of chain drug store retailers say their 1987 sales rose in toiletries, but the gains were hard won. A *Drug Store News* survey of toiletry buyers and merchandisers puts the average sales increase for this department at about 6 percent in 1987.

Competition from discounters, food stores and deep discount drug stores made the toiletries category particularly competitive for chain drug merchants last year.

Mass merchandise stores and food stores continued to expand their assortments of toiletries, and buyers say these retailers were exceptionally aggressive with the commodity categories like shampoo, styling aids, hair sprays, mass skin creams and lotions, deodorants, shaving creams, and men's toiletries.

Buyers for some of the smaller regional chains complained that they weren't able to advertise some popular brands like Ivory or Flex shampoos because there was "no way" they could compete with the bigger food chains or with the mass merchandisers, like K mart or Wal-Mart.

However, the pressure of competition did give buyers an incentive to be more creative with their advertising programs. Some buyers found a solution in advertising brands, in new or emerging drug store categories, as in professional hair and professional nail care supplies.

Others looked for fashion items like hair clips and hair barrettes or cosmetics organizers to advertise. Others went with exclusive promotions in which their stores could give away something that competitors couldn't get, such as tickets to a local tennis tournament or basketball game.

A number of chains, for example, including Walgreens and Eckerd tied in with the still ongoing La Sallé 10 International company's Virginia Slims tournament promotion.

La Sallé, which is one of this year's tournament sponsors, is making tickets available to retailers who promote their line. The retailers, in turn, are offering their shoppers a free ticket with a minimum La Sallé purchase. Perry Drug in Michigan tied in to a similar promotion with Revlon's Professional Hair Care Division for a Pistons basketball game.

Buyers also tried very hard last year to lock in to category growth trends, and to be the first in their markets to either stock or promote fashion items like a Stiff Stuff styling spritz or a sunblock with colored zinc.

In 1987, buyers also said they were under pressure to improve margins as well as generate traffic.

"On the one hand, we have to come up with an advertising program that will create traffic," said one buyer for a Northeast chain, "on the other, we have to protect our gross margins. The two goals can be mutually exclusive unless you're very creative."

Buyers say that their best chances of finding a profitable "hot" item to promote comes from segmenting their categories. Shampoo, for example, is not a profitable category when it's featured on ad, but mass prestige shampoos and salon-originated shampoos can be very profitable when advertised.

These are still relatively new categories for drug store retailers, buyers say, and so there is less competition from chain food and chain mass merchandise stores.

Buyers can advertise a Pantene, a Vidal Sassoon, a Redmond or a TRESemmé for 20-percent to 30-percent off their everyday retails and still make margins of 30 percent or better.

And because these lines are hot now, they also sell well off their shelf at margins of 40 percent and 50 percent and better.

Buyers say they are also applying this strategy to beauty care accessories like hair barrettes and clips, cosmetics organizers, hair brushes, personal care appliances, and bath sponges in personal care.

In 1987, there weren't many dramatic growth categories in toiletries, but there were a few: Suncare continued to be a very strong category with growth up more than 10 percent in many chains.

Buyers say their best brands were Coppertone, Bain de Soleil, Hawaiian Tropics, Pre-Sun, Shade, Sun Down, Cancer Garde, and some lesser known lines like Banana Boat and Gorilla Grease.

High SPFs continued to outpace the lower SPFs in growth, but tanning products also continued to do well in chain drug stores.

In 1987, many drug chains decided to make sun care a year-round category. Most chains are now merchandising the category next to their skin care lines in a two to 4-foot year-round planogram.

A few chains, such as Eckerd Drug, are also cross merchandising some of the higher SPF brands like Cancer Guarde, Pre Sun and Sun Down near the pharmacy. "Some consumers are confused by all the different SPF numbers," said one buyer, "so if we put a display near the pharmacy, we make it easier for our shoppers to ask for help from the pharmacists. It's also a good way for us to get our pharmacists involved with our customers."

Skin care also enjoyed moderate growth as a category in 1987, but buyers say certain brands did exceptionally well this year, including Lubriderm, Curel, Soft Sense, Jergens, Nivea, and Neutrogena.

Buyers say that consumers seem to be buying more of the better or higher priced mass skin care brands, and some chains reported what they think is a trading up of sales to the franchised skin care lines like Almay and Overnight Success.

Buyers say Almay's skin treatment sales were particularly strong last year, and Max Factor's skin treatment sales were also up moderately.

In hair care, mousse was still flat or down in most chain drug stores. The best sellers were leading brands like Clairol Condition and L'Oréal Freehold.

Chain drug store retailers say skin care products have a lot of undeveloped "growth potential." They report that women are buying more of the higher quality mass brands, and sales of Lubriderm, Curel, Neutrogena and Jergens have been particulary good lately.

The styling aids category, as a whole, however, was up in chain drug stores in 1987. Gels continued to show very dramatic growth and spritzes were also very popular. Stiff Stuff continued to be a best seller, but the new Salon Selectives styling aids were selling well and so were the styling aids from some of the top mass brands like Finesse, Revlon, L'Oréal, Clairol Condition, and Vidal Sassoon.

Hair sprays also did well this year, especially the Clairol sprays and Aqua Net.

Buyers say the styling aids are growing because of today's fashion styles. Both women and men are wearing their hair in a variety of styles ranging from soft to spiky, and the styling aids are necessary for both hold and body.

Styling aids that add sheen or shine to the hair are also popular.

In budget lines, Gillette's White Rain is doing exceptionally well, especially in the South and Midwest markets.

Buyers say the new hair care launches are all selling reasonably well. Helene Curtis's launch of Salon Selectives seems to be the most successful, but Textra has done well,

Continued on page 106

Do Something Beautiful For Your Hair
WELLA BALSAM
59¢
59¢
2 oz. Trial or
BUY NOW
UNADVERTISED SPECIAL
TRIAL SIZES for TRAVEL

Retailers say their sales of trial-size hair and skin items are growing at "breakneck speeds." Buyers say the small sizes are perfect for generating trial purchases.

Competition makes toiletry sales hard won

Continued from page 105

Clean and Clear from Revlon is doing very well, and TRESemmé is selling very well as it continues its transition from salon to retail.

Jose Eber, however, is still not available in all markets, and buyers say that where it is available, it is selling "okay, but not spectacularly."

In men's toiletries, Old Spice, Consort and English Leather did well, but the category itself was not particularly dramatic.

The men's toiletries category still seems to be fairly well divided between the mass prestige brands like Stetson and Chaps, and the toiletries brands like Brut and Old Spice.

Most buyers say the growth is with the mass prestige brands, but that the toiletries brands still have a "huge core of loyal users" and these users do not seem to be trading up.

According to buyers, depilatory sales were also pretty good this year. Again the better known brands did best in this department.

Ethnic was still a troubled category, but buyers who promoted and featured the category reported relatively decent growth. Products that gave sheen to the hair and products without oil or alcohol sold the best, and buyers had the best things to say about the more established brands: Soft Sheen, Curl Free, Posner, Dark 'N Lovely, Pro Line.

In merchandising, no revolutionary trends were apparent. In Detroit, Perry Drug tried merchandising franchised skin creams with mass brands in the toiletries department, near cosmetics.

VP of merchandising Steve Lund says the experiment is working well and that franchised skin cream sales are "better than what they were when they were merchandised in cosmetics.

"With Revlon, we outperformed the industry on sales increases, and we're pretty satisfied with the results."

Most other chains, however, continued to keep their franchised and mass skin creams separate in 1987.

Many chains, however, have begun to create year-round sets for sun care as well as separate sets for professional and prestige hair care lines.

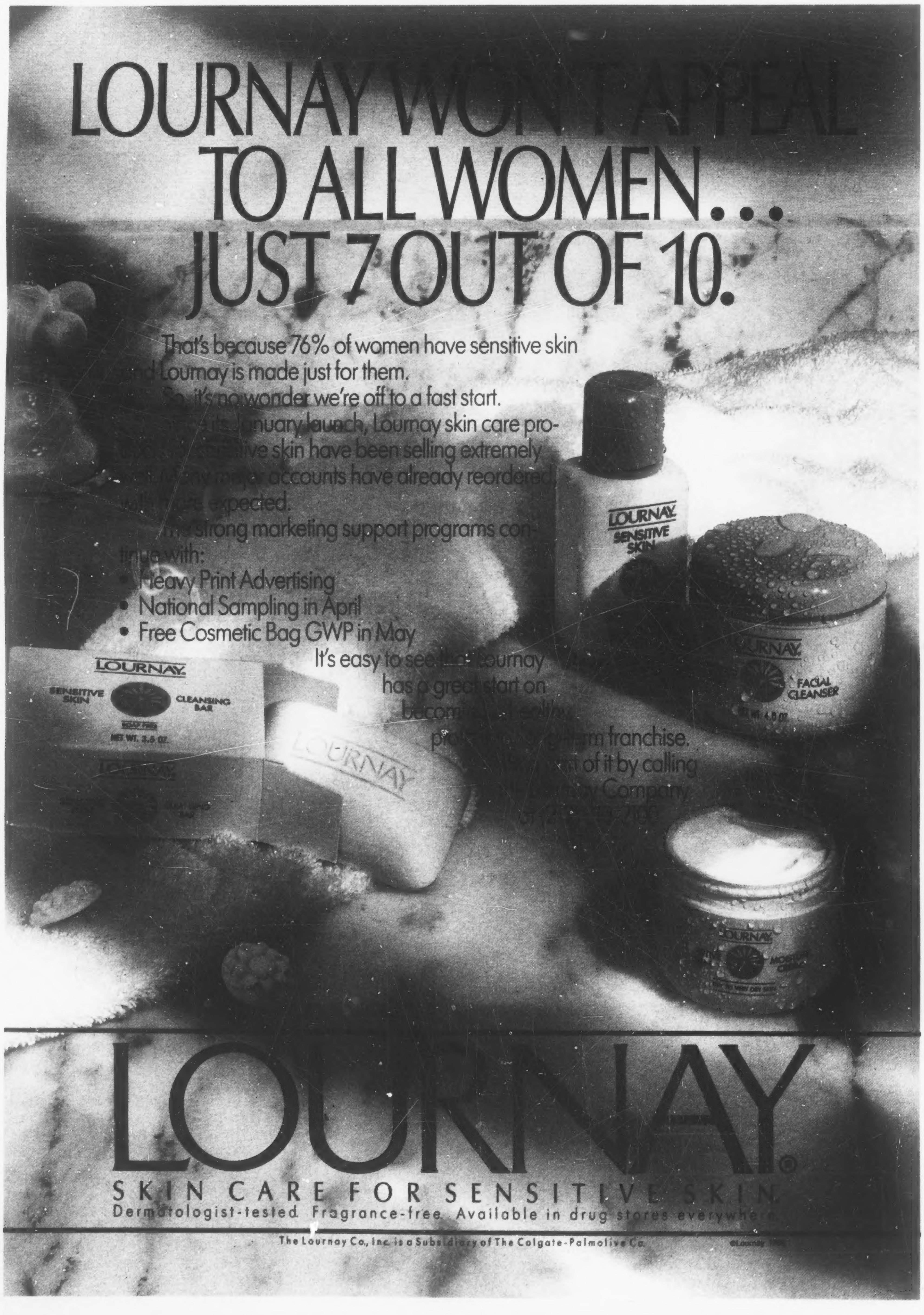
Most chains now merchandise professional/prestige hair lines in a separate set between mass shampoos and conditioners. Some chains also give professional/prestige styling products secondary positioning within the styling sections.

Buyers say these sets make the higher priced brands easier to find and also help generate more incremental sales.

"Someone who uses a TRESemmé shampoo is also going to probably want the TRESemmé conditioner and the TRESemmé sprays and styling aids too, so these sets make it easier for our shoppers to buy the family line," said one merchandising vp.

At least one chain has also decided to move hair color and mass skin creams much closer to the cosmetics department. Peoples Drug, which is in the process of reconfiguring their stores to this layout, says it helps hair color sales because customers can find someone to answer their questions.

Their management also says the adjaceny is logical and natural because women buying cosmetics are inclined to browse through toiletries.



LOURNAY WON'T APPEAL TO ALL WOMEN... JUST 7 OUT OF 10.

That's because 76% of women have sensitive skin and Lournay is made just for them.

So, it's no wonder we're off to a fast start.

[illegible] its January launch, Lournay skin care pro[illegible] sensitive skin have been selling extremely [illegible] major accounts have already reordered, with [illegible] expected.

[illegible] strong marketing support programs continue with:

- Heavy Print Advertising
- National Sampling in April
- Free Cosmetic Bag GWP in May

It's easy to see [illegible] Lournay has a great start on becom[illegible] pro[illegible] franchise. [illegible] of it by calling [illegible] Company [illegible]

LOURNAY®
SKIN CARE FOR SENSITIVE SKIN
Dermatologist-tested. Fragrance-free. Available in drug stores everywhere.

The Lournay Co., Inc. is a Subsidiary of The Colgate-Palmolive Co. ©Lournay [illegible]

Bonus and value packs keep ethnic sales afloat

Ethnic consumers are not buying the high ticket after care products as often as they once were. They now spend about $8 every two months on hair care, instead of about $15 every two or three weeks.

"I know we're losing a sale when we give an 8-ounce conditioner away free with an 8-ounce activator," said one buyer, "but I also have to believe we make it up by getting more new shoppers to try the product."

The ethnic category had another difficult year in 1987.

Depending on the market, some sources report the category was flat, while others report sales increases of between 5 percent and 10 percent. Based on our own survey of chain drug store retailers, *Drug Store News* estimates an 8 percent increase for chain drug store sales of that category in 1987.

According to market research estimates, overall growth across all mass classes of trade was modest at about 3 percent. Ethnic sales in the drug store industry were down 5 percent, according to A.C. Nielsen Market Research estimates, but because of aggressive promotions, some chains and some regions did better than that.

Most chain drug sources say, however, that they had to work for growth in this category last year, and most say that any gains were due primarily to intense promotions of bonus packs, value packs, and a proliferation of manufacturer cents-off coupons in 1987.

Retailers and ethnic distributors say the category is being hurt by a change in fashion trends. With some exceptions, the curl look is still "out" and the relaxed look and very short hair is "in."

As buyers like to point out, consumers don't need as many maintenance or after care products when they're wearing short hair, and the result is that many ethnic consumers are not buying the high consumption and high ticket after care products as often as they once were.

Instead, they are basically buying shampoos, conditioners, sheens and sprays, and they are spending about $8 every two months on hair care instead of about $15 every two or three weeks.

Manufacturers and ethnic distributors are trying to weather this fashion lull, therefore, by creating wide varieties of bonus or value packs for their consumers.

The retailers who have been buying the bonus packs say they know they are losing some sales to consumers who stockpile, but they also feel they are getting at least some incremental sales from consumers who see the packs on display and who buy them impulsively for their value.

A trade-off

"I know we're losing a sale when we give an 8-ounce conditioner away free with an 8-ounce activator," said one buyer, "but I also have to believe we make it up by getting more new shoppers to try the product."

Retailers and ethnic distributors say that some of their best bonus packs in 1987 and early '88 were the following:

Lustrasilk's 8-ounce moisturizer with 8-ounce activator pack; Soft Sheen's 8-ounce moisturizer with 8-ounce Snap Back pack; M & M's Buy One-Get One Free 8-ounce Dry and 8-ounce Dry Free kit; and TCB's 25 percent more bonus pack on TCB Lite.

Several sources also said they did very well with what they called "the industry's first cross merchandising promotion": a bonus pack featuring Ambi skin care and TCB Lite products.

Ambi and TCB Lite did two cross merchandise promotions in 1987. Retailers and distributors said the promotions helped generate growth in skin treatment sales, and also helped spark the sales of both brands. The promotion that featured a free 2-ounce jar of Ambi skin cream with 2 ounces of TCB Lite sold the best, sources said.

Most sources also said there were several growth segments within the overall ethnic category in 1987.

The curl category continued to be flat in 1987, and that, of course, negatively impacted sales of curl maintenance products.

But hair conditioners, sheens, mink oils and hair color did well in most sections of the country.

Most sources also reported some upsurge in skin treatment sales, although the base is still small in this category.

Distributors who service chain and independent drug stores report that skin treatments excluding soaps range from between 3 percent and 9 percent of their total sales. Most distributors, however, report that skin treatment's share of sales is up between 1 and 2 percentage points this past year.

Cosmetics has been fairly stable. Foundations and lip sticks still sell the best in this category, sources say, but the nail, eye and blush lines have to deal with tough competition from the mass brands.

Some sources say that the mass brands today have such a wide variety of shades in their lines that they have made it much harder for the ethnic lines to compete for this business.

Buyers and distributors also said there were some good new product launches in the past year and a half. Most sources said Care Free's new Curl Gold is selling well, as is Pro Line's new No Lye Men's Comb Through Relaxer; Care Free Curl's new Snap Back; Right On Right Back; Queen Helene cholesterol hair conditioner; and Revlon's Finisheen Oil Sheen Spray, which recently made the transition from salon to retail sales.

Buyers and distributors also gave good reports to the following established brands: Care Free Curl; Dark 'N Lovely Relaxer; Right On Curl; Gentle Treatment Relaxer; Soft & Beautiful Relaxer; S Curl, TCB Lite; Revlon Relaxer; Lustra's Mink Oil; Posner foundation makeups; Afrotique and Brown Sugar hosiery; Summit Pre Con Gel, Vigoril Gel; Carson Gel, Ampro Gel, LeKair Cholesterol Hair Conditioner, Bronner Brothers' BB Hair Conditioner, Dark & Lovely Hair Colors; and most of the hair care brands made by the following four companies: Lustra, Carson, Pro-Line and Revlon.

In the Northeast, South and Midwest, sources also reported strong sales for select products in a salon line that has been available at retail for about a year now. The line is called Leisure Curl, and it consists of after care products for what ethnic distributors describe as a "relaxed curl."

The whole line isn't legitimately available at retail yet, sources say, but drug stores have been having good results with the 8- and 16-ounce spray and gel. Leisure Curl is made by Dorum Manufacturers in Chicago.

In 1987, buyers aren't reporting any dramatic changes in the way they merchandise ethnic products. However, they are watching sales much more closely today, and they are working with their distributors to identify and weed out slow turning products.

There is also more competition on ethnic lines today. The mass merchandise stores like K mart and Target are carrying a broader assortment of ethnic products and they are becoming very competitive on everyday prices.

As with chain drug stores, they are promoting the category more today and doing more off-shelf displays.

The food stores are also taking a stronger position in the category, and although their pricing is not always as sharp as the mass merchandise discount stores, their assortments are getting more varied and more fashion-oriented.

Distributors say they are becoming faster at identifying the right brands to carry.

Suburban shoppers yearning to organize their lives can find a variety of helpful merchandise in Genovese's Ardsley, N. Y., unit.

Neat stationery department in deep discounter Maxidrug's West Springfield, Mass., store pulls heavy traffic. Some chains find housekeeping the category a hassle.

Magazines and paperbacks line side wall in Phoenix-based SupeRx's first racetrack store. Loungers and snacks are positioned nearby, to add to readers' comforts.

Stationery continues as a staple; sales surge 10.1%

Drug chains are looking to their stationery departments as a continuing, year-round source of sales and profit growth in core drug store business.

"It's just more and more steady business," said Frank Shanower, vp-merchandising at Drug Emporium, recently, "and you've got to keep in stock and stay on top of it."

Indeed, drug store operators are. Stationery sales surged 10.1 percent at drug chains in 1987 to $1.6 billion.

The home office segment, cited by retail drug merchants as one of the 10 hottest categories for 1988, is a major focus of chains' category expansion plans. Many have already expanded this booming segment, or plan to this year, in response to consumers' demands for items to help them organize.

Kerr Drugs, for example, is adding 38 feet of home office supplies to its department this year, and Vons is expanding home office supplies in its new food/drug format.

Vendors are responding to the upsurge in demand with more and more quality products, as evidenced by the array of attractive and practical home office merchandise displayed at the Back-To-School Show in February.

The consensus among drug chain merchandisers talked to by *Drug Store News* is that home users, especially women, rather than office workers, are the primary target customer.

"It's the working woman who is buying a better quality thing to organize herself and her home, because she's doing three functions, usually—wife, mother and worker," Shanower said during a stationery seminar at the show.

"She's the one who is going to buy a product that makes her life a bit easier," Shanower added. "If it's sitting there and if it's priced right and signed right, it's going to sell, if it's a good product."

Buyers are finding that customers are willing to pay for quality and that color is playing an important role in attracting shoppers to home office products, as well as to stationery items generally.

"I think that the colors are really driving our promotional business," said Cynthia Stahley, stationery buyer for Genovese, during the seminar. "They make an old item look new again to our customers."

She added that quality value-added items are outstanding performers: "We've been able to trade our customers up from the $3.99 file box to the $9.99 Home Box Office with very little resistance."

But if home office is the *pièce de résistance* of the stationery category, basic items such as envelopes, filler paper, legal and memo pads, writing instruments and notebooks are the meat and potatoes of a business that is essentially year-round now.

While back-to-school is still the major thrust of chains' promotional efforts, tax time, second semester, the December holiday season and even summer camp times are increasingly cultivated as promotional opportunities, with many chains advertising some stationery items in all their major circulars.

Some chains are showing innovative spark by incorporating nontraditional items in their back-to-school ads, such as candy, H&BAs, personal care appliances and hosiery. And Long Island, N. Y.-based Austin Drugs showed imagination and an eye for community relations with a back-to-school ad competition for schoolchildren.

Several chains said they coordinate their back-to-school selection with local schools' requirements. Genovese, Drug Emporium and Randall's, for example, get supply lists from schools and adjust their assortment to meet those needs. Randall's makes up special packages of supplies for each grade level and offers them at a 10 percent discount. "It saves them [parents] money and gives us multiple school supply sales at big-ticket prices," said Randall's nonfood merchandise buyer, Bob Morrison.

In the back-to-school/stationery segment, color and fashion, more than product innovation, have helped to spur sales, according to several buyers. Acid-washed denim, in binders, notebooks and knapsacks, is one of the hotest fashion elements buyers are taking up for fall. But buyers also report that high-tech effects such as the pearlized and chrome looks, as well as bold colors and geometric designs, are driving sales. Wireless notebooks with laser perforations are also selling well, several buyers report.

Licensed characters appear to have run their course as novelties in stationery, with several chain buyers saying they have either eliminated licensed items or retained just the old standys, such as Snoopy, Garfield and Mickey.

"We've found they are often unsuccessful, because their popularity comes and goes and is too regional," explained one buyer.

In writing instruments, multipacks and fashion colors are gaining in popularity. Outstanding sellers, in addition to the hardy wooden pencil, include metal roller pens, markers and highlighters, and mechanical pencils, with shoppers showing a willingness to pay for better quality.

Other areas reaping steady results for chains include small dictionaries, mailing supplies and magazines and paperbacks. While some chains have gotten into computer supplies, others indicate a hesitancy to enter this segment. "I see computer supplies as a trend down the line," said one buyer recently, "but we're not jumping in yet."

The proliferation of new products makes stationery an unwieldy category in terms of housekeeping and making room for new items.

While organizing systems or supplier servicing have alleviated chains' housekeeping task, chains vary in how they tackle the space crunch.

"New products are what drive the game," Shanower said during the stationery seminar. "We're going to put it in somehow. . .and if somebody else's stuff gets thrown in the back room, that's the way it goes."

"We don't necessarily throw out items to make room for new," Stahley commented. "We rearrange and make space within the department."

1987 stationery department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Greeting cards	$ 572,162	10.3%	34.92%
School, home/office	474,322	13.8	28.95
Books/magazines	257,606	7.0	15.72
Writing instruments	108,093	8.2	6.60
Gift wrap	93,968	9.3	5.74
Social stationery	68,448	4.1	4.18
Disposables/party supplies	51,254	4.8	3.13
Art supplies	12,464	9.8	0.76
Total	$1,638,318		100.00%

Source: *Drug Store News* survey

1987 stationery department highlights

Chain drug stationery sales	$1,638,318,000
1987 percentage increase	10.1%
Percentage of total chain drug sales	5.0%
Typical gross margins	40-45%
Industry profit yield from stationery last year	$655,000,000 to $737,000,000
Average annual department turns	4.5

Source: *Drug Store News* survey

Types of books bought in 1987

Paperback novels	17.5%
Cookbooks	13.8
Juvenile books	9.8
Paperback romances	8.5
Paperback mysteries	8.1
Paperback nonfiction	8.0
Hardcover novels	7.7
Religious (not Bible)	7.3
Personal/business self-help	6.4
Hardcover nonfiction	5.8

Source: Mediamark Research Inc.

PRODUCTS

Majors' specialty segment focus drives chains' greeting card sales

Drug chains report increased sales in alternative and spiritual cards, as the major vendors, Hallmark, American Greetings and Gibson, respond to consumers' growing demand in these and other specialty segments.

Spurred by vendors' aggressive marketing efforts, chains are increasingly positioning greeting cards toward the front and center of their stores, to take better advantage of the brisk impulse sales and high (45 to 50 percent) margins that cards generate. Often, greeting cards are housed near cosmetics, since women are the better customers for both departments. Many chains also find placement of gifts, picture frames and candy near greeting cards affords cross-merchandising opportunities.

Helped by vendor programs to promote cards and target consumer groups, chains such as Happy Harry's and Crown Drugs have increased card sales in the double-digits this past year.

Greeting card sales increased in 1987 by 10.3 percent to $572 million. Greeting cards are the largest component of stationery departments at chain drug stores.

The Big 3 card companies have made significant inroads into the alternative card card market, once the turf of smaller companies, and a sampling of buyers report sales in this segment are taking off. Rite Aid, for example, which carries Gibson, American Greetings and Recycled Paper, reports its card sales generally are "way up," with the alternative segment a growing part of that business.

Added a spokesman for K&B, which devotes 96 feet to cards, "It's less necessary to carry alternative companies' lines, now that the Big 3 have entered the market."

Since prices have stayed on a plateau at about $1 for the past few years, is a price increase in the cards this year?

Gibson's vp-marketing, Greg Ionna, said there will a modest increase, of perhaps 4 percent. Spokesmen for the other two major vendors were noncommittal about their pricing plans.

Hallmark, for example, noted that its Shoebox line remains about $1, although some Valentine's and Mother's Day cards, jumbo cards and cards with special effects can run as high as $3-$6. A 68-card line to be introduced next month, called "Best Years," will be priced from 70 cents to $1, for affordability to its target over-55 audience.

One of the trends in cards is the inspirational, or spiritual, theme. Inspirational cards "were nowhere" a few years ago, but chains report an increasing demand for them now, and the Big 3 have responded with a broader and more sophisticated offering.

Among novelty cards and accessories, American Greetings has come out with a mailable photo-album card called "Photo Sentiment," as well as a Country Home card organizer, which capitalizes on the currently fashionable country look via a stenciled wooden box with file dividers by month and holiday, to help card givers organize and remember to send.

Gibson says one of its hottest items is Teddy Hugglesbie, with teddybear and country-look appeal. Brought out in plush for greeting card display, Teddy also appears on giftwrap and party goods. This is also a big anniversary

See **Drug**, *page 118*

New specialties, shipping policies bode well for future growth

After three years of intense and costly competition for market share and a slowdown in growth, there is reason to be cautiously optimistic about the greeting card industry's future, according to Prudential-Bache's latest report on the state of the big three companies, Hallmark (privately held), American Greetings and Gibson.

The underlying reasons for the industry's problems centered on three situations: fierce competition to win retailers away from one another, high retail saturation—in other words, "few major new chains to conquer," and a slowing of unit growth.

The reasons for the unit growth slowdown are "un-

See **Future**, *page 118*

MiKE IKE
MiKE IKE
HOT TAMALES
JOLLY JOES
MiKE IKE
HOT TAMALES
JOLLY JOE
MiKE IKE

Research among these candy experts shows our bright new packages are a real hit!

When candy-loving kids saw the new packages for Just Born's Mike and Ike®, Hot Tamales® and Jolly Joes® candies, they couldn't wait to find out when they would be in the stores. Our research shows that these new designs have all the qualities that will maximize impulse sales. Bright, vibrant "stand-out" colors. Contemporary designs with fun characters. Plus, quick colorful identification of the candy inside.

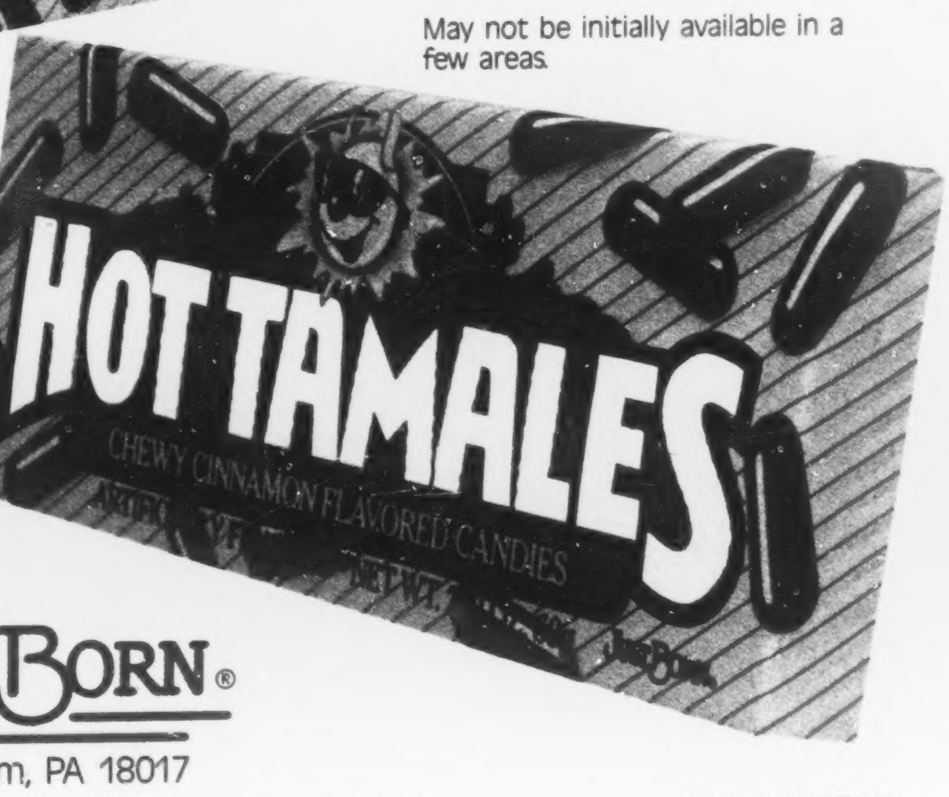
While the package designs have been improved dramatically, the product inside is still the same delicious, high quality candy Just Born has made for over 60 years.

The only difference will be in the amount of sales. With these new packages, our candy and your profits are sure to be even bigger hits!

May not be initially available in a few areas.

JOLLY JOES
CHEWY GRAPE FLAVORED CANDIES

MiKE and IKE
CHEWY ASSORTED FRUIT FLAVORED CANDIES
ARTIFICIALLY FLAVORED · NET WT.
Just Born



JUST BORN®
Bethlehem, PA 18017
Building on our tradition of quality!

1-800-445-5787
(in PA 215-867-7568)

© 1987 Just Born Inc. All rights reserved. Mike and Ike, Hot Tamales and Jolly Joes are registered trademarks of Just Born Inc.

PRODUCTS

Future for card sales: Mostly sunny?

Continued from page 117

clear," the report said, but perhaps had to do with the success of alternative cards before the Big 3 jumped in wholeheartedly, a slowing of demographic trends that had stimulated earlier growth, and a price structure that hit a resistance point for many consumers at about $1 and has held there for about three years.

Customer browses card shelf at Peoples "Boss," Hyattsville, Md.

E. Gray Glass III, who prepared the report, sees several factors contributing to a possible industry upturn. Among these:

- The fierce battle for market share appears to be easing, as companies move to emphasize margins and earnings more, rather than continuing the enervating competition over retail chains. That competition involved such financial give-ups as extended dating and payment schedules and substantial concessions on co-op ad programs.
- Major operating changes are being made, such as reducing inflated levels of gross shipments of seasonal cards, aimed at bringing the supply/demand relationship into better balance.
- The big three companies have, over the past few years, moved decisively into alternative card market—once the province of the smaller, private companies— thus opening a new avenue for growth.

Prudential-Bache expects other trends to help sustain above-average growth rate projections.

The stock market crash last fall could slow down the economy's growth rate. During past economic slumps, people have tended to reduce their gift-giving, and, perhaps to salve their consciences, have bought more expensive cards instead.

With an expected easing of competition and an expanded population of affluent 35- to 65-year-old postwar baby boomers, the stage is set for modest price increases for cards, Glass reasons. Consumers, having enjoyed relatively stable prices for the past three years, may be more willing to accept a modest price hike. "The first such increase could take place fairly early in 1988," he states, estimating that it will be 4-5 percent and that further increases, reflecting inflation, will follow over several years.

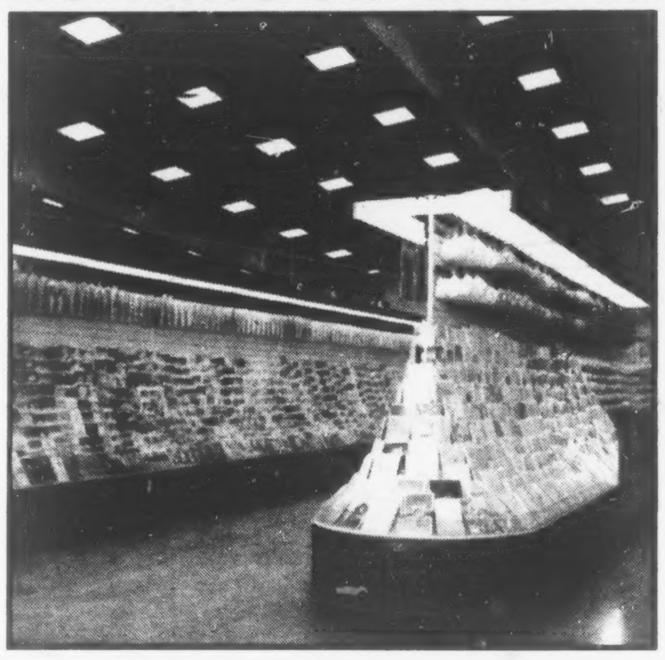
Furthermore, the big three's entry into alternative cards has been well accepted by consumers, and overall card buying has expanded.

Finally, Glass notes that several card categories are being explored as new market opportunities. They include electronic chip cards, such as musical cards, cards with piano keyboards, and cards with sound effects; "biliboard" (very oversized) cards; computer cards; and videotape cards.

Drug chains say 'greetings' to greater alternate card sales

Cont. from page 117

year at Gibson, which is planning special cards, party goods, giftwrap and plush to celebrate the birthdays of its venerable licensed characters, Garfield, age 10, and Mickey Mouse, a ripe old 60.



Greeting card endcap display in a Pittsfield, Mass., Maxidrug.

Whether the early April increase in the first-class postage rate, from 22 cents to 25 cents, will affect the sales or sending of cards is unclear. But Prudential-Bache analysts recently issued an industry update saying the hike "is not expected to have any visible impact" on cards, mainly because of its between-season timing.

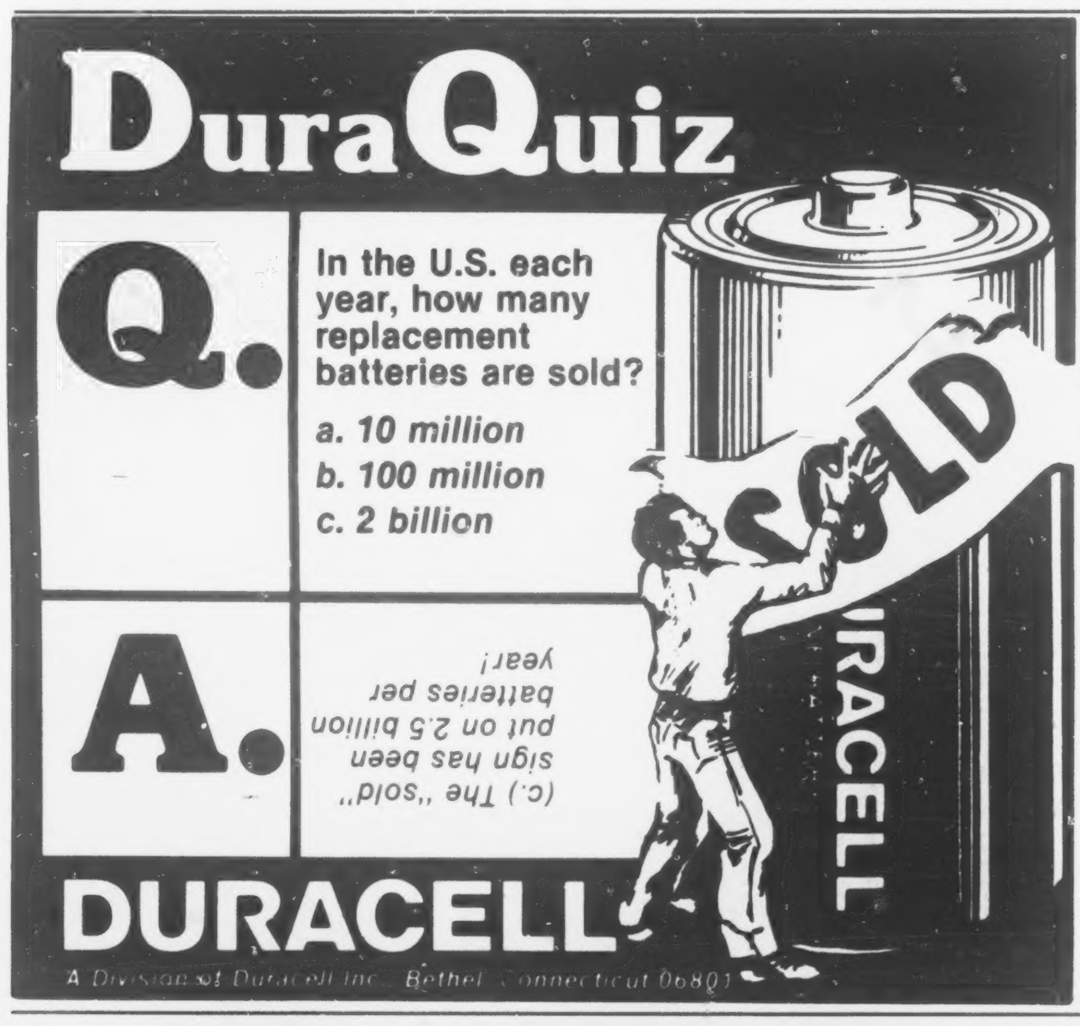
Some buyers are seeing other impacts on sales, however, such as a decline in boxed seasonal card sales last Christmas. "Maybe people just don't have time to send 150 cards anymore," offered one buyer in explanation.

Another problem, noted by a buyer in the New York area, is the paucity of selection for Jewish holidays. "Customers complain," the buyer said, adding that the chain has to go outside its regular vendor system to augment cards for Jewish holidays.

The intense battle among the major companies for market share in the past few years has created terms favorable to retailers, including drug chains. A major card vendor for Bill's Drug in California, for example, is giving full credit on leftover seasonal stock toward the next year's billing. These extended terms have lessened Bill's inventory costs as well as the chain's practice of underbuying in order to avoid carryovers.

The major card companies say they didn't cut back on shipments last Christmas to reduce carryovers. "We work with retailers on an individual basis; reorders are based on an individual retailer's previous-year sales, to avoid carryover," said a Hallmark spokeswoman.

But carryovers and returns appear to be a problem for some vendors. American Greetings, for example, which on April 7 posted a 95 percent drop in profit for the fourth quarter, said higher than normal returns of seasonal merchandise impacted results.



DuraQuiz

Q. In the U.S. each year, how many replacement batteries are sold?
a. 10 million
b. 100 million
c. 2 billion

A. (c.) The "sold" sign has been put on 2.5 billion batteries per year!

DURACELL
A Division of Duracell Inc., Bethel, Connecticut 06801

NEED HELP WITH NEW YORK DISTRIBUTION??

WE CALL ON 100 ACCOUNTS A WEEK.

Fiske Sales, Members of NAGMR, for in depth coverage in the New York metro area.

We call on the major accounts, but we also service the smaller chains (5-25 stores) and 750 independent accounts.

Please contact Stephen Adler at Fiske Sales for additional information.

New York Showroom:
100 W. 57 St.
212-664-1138

Upstate Showroom:
914-634-5099
1-800-248-8033

Fax # 914-634-5906

"Every retailer is on the look-out for something like it" H.H., NY

HERPECIN-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The Skin Treatment That Sells Itself.

frei öl and ***frei öl* Washcream's** results are so amazing your customers will buy it again and again.

Developed by a German Pharmacist 25 years ago — over 8 million bottles of ***frei öl*** are sold annually in Europe. A healthy blend of natural oils and vitamin A & E, it helps retain skin's moisture and temporarily alleviates wrinkles. ***frei öl*** is useful for sports and clinical massages as well.

***frei öl* Washcream** is an ideal body wash with a pH balance similar to skin. It cleanses deep into pores, without that soap-tight feeling and is formulated with an ingredient to help prevent bacterial growth.

Order your ***frei öl*** and ***frei öl* Washcream NOW**. Display stand, 1 tester of each, flyers and shelf talker included with initial order of 12 shatter proof bottles of each. Suggested Retail Price is $12.50 for 4 oz. of ***frei öl*** and $10.50 for 10 oz. ***frei öl* Washcream**. Money Back Guarantee! Write to:

Inge Grant • **Bouhon Cosmetics, Inc.**
P.O. Box 585 • Manchester, NH 03105 • (603) 668-9380

STORE/BUSINESS FOR SALE

7700 sq. ft. next to large supermarket. Prime location for specialty/chain. Currently drug franchise located/Menasha, Wisconsin
Contact:
Bruce Creger-SAFCO Corp.
6060 Northwest Hwy
Chicago, IL 60631
312/631-6216

THE DURO™ DIFFERENCE

- Faster turns
- Higher repeat sales
- Greater profits per square foot

DURO QUICK GEL™
NO-RUN SUPER GLUE
With M.T.S.™ Additive

There's no other Super Glue like it!

Loctite Corporation
Automotive and Consumer Group
Cleveland, Ohio 44128

Duro, Quick Gel, M.T.S. & More Thick, More Quick, More Stick are TMs of Loctite Corporation © 1986

MORE THICK
MORE QUICK
MORE STICK
DURO
QUICK GEL
NO-RUN SUPER GLUE
M.T.S.

Breathing Protection

Flents Maxi-mask®

Filters out dust, germs, and pollen

Flents Products Co., Inc.
P.O. Box 2109 Norwalk, CT 06852
(203) 866-2581
Products For Personal Care and Protection Since 1927

PRODUCTS

CENTER
PIPES
78 SPECIAL VALUES
79
CIGARETTES

Top selling brands are prominently on view in a single-pack fixture at this Walgreens checkout.

Countertop displays spur impulse sales at this Plainview, Mass., Brooks Drug store.

Fixturing, promo strategies support tobacco profits

Drug chains used new fixturing and promotional strategies to maintain cigarette profits in 1987, as unit sales declined at many chains, following the national trend.

Dollar sales looked better, largely because cigarette manufacturers passed along two more price hikes in 1987, which added $2 to the price of 1,000 cigarettes, or three to four cents more per pack.

Better margins and profit dollars on price/value cigarettes, such as the black-and-white generics and branded generics, helped some chains stabilize category profits.

Unit shipments by vendors of branded generics remained strong, as items such as RJR-Nabisco's Doral, Philip Morris' Cambridge, Brown & Williamson's Falcon Lights, and Liggett & Myers' Quality Lights gained favor. Branded generics captured 4.1 percent of total units shipped, compared with a 2.7 percent share in 1986. Black and whites, and the value 25's (25 for the price of 20) lost slight share points.

Buyers say the success of generics is tied closely to economic conditions, and they work in some neighborhoods and not in others.

Total units shipped dropped 2.1 percent to 570.38 billion, mirroring the slide of recent years.

Drug chains settled for a smaller slice of the market, losing some to convenience stores. Drug chains had an eight percent share of 1987 retail sales, compared with 10 percent in 1982, Brown & Williamson reported.

Supermarkets lost share, dropping to 29 percent compared with 35 percent five years ago, the vendor said.

Sales of the slim cigarettes, the so-called female styles, continued to be strong, drug chains said. Philip Morris' Virginia Slims was a market share gainer, moving from 2.9 percent to 3.1 percent. The brand entered the ranks of the top 10 brands in market share, tied in the tenth position with RJR's Vantage.

Meanwhile, Brown & Williamson's challenge to Virginia Slims—its Capri ultra-slim cigarette—approached full national distribution. Female-directed cigarettes captured 6 percent of the market in 1987.

Among the full-priced brands, Marlboro extended its lead, ending 1987 with a 23.6 percent share, up 0.7 percent from last year.

RJR-Nabisco's Winston was a distant second at 11.1 percent, after a two-tenths of 1 percent decline.

Lorillard's Newport jumped two notches to tie with RJR's Camel in sixth place.

To limit shrinkage, many chains continued to move cartons and single-packs where they can be watched over. Buyers cautioned, however, that they must balance the need to guard inventory against the loss of display payments when self-service merchandising systems are phased out.

Buyers said vendors were helping resolve the dilemma by paying more for the countertop, single-pack displays favored by chains. Couponing, meanwhile, remained the key to moving cartons.

Innovative merchandising is still necessary to build sales.

"Merchandising and marketing is even more important today than it was a year or two ago," said Bob Partridge, a vp at Bercovich-Sosnick, a San Leandro, Calif. distributor whose customers include Walgreens, Longs, Bill's, and K mart.

Partridge said promotions such as "three-for" offers have become more prevalent.

Drug chains in Bercovich-Sosnick's western market have to be competitive against the convenience stores and mini-mart kiosks at gas stations, Partridge said.

Begley Drugs took a typical approach to combatting shrinkage when it left cigarettes behind the counter for a second year. Shrinkage dropped to almost zero as a result. Although the chain lost some display payment revenue by taking away the carton displays, the loss was somewhat offset by increased payments for counter displays of Philip Morris, RJR-Nabisco, and American Brands cigarettes.

Harco was another chain that eliminated carton displays on the selling floor.

Although the overhead racks by RJR and Philip Morris that Harco now uses make cigarettes less visible, sales weren't affected much. Countertop displays help to maintain the rate of sales.

A.D. Clark safely dispenses cartons from self-service fixtures by putting them between the checkout and managers' service counters.

But most drug chains have followed the lead of chains like Longs, Walgreens, and Medicare-Glaser, which concentrate on selling single packs from fixtures behind the cashier.

Sales of smokeless tobacco products slumped for the second year in a row, as consumers resisted higher prices brought about by federal and state excise taxes.

Pounds shipped slumped to 121.5 million in 1987 from 125.5 million in 1986, and a high of 133.77 million in 1985.

"We're seeing shelf space being reduced in the smokeless category because the retailer doesn't understand how profitable [the category] can be for him," argued one industry spokesman.

In the disposable lighter area, multipacks gave chains an opportunity for higher register rings and profits, as sales in the mature industry grew 2 percent.

Bic's Mini Bic drove 5 percent sales growth on Bic lighters, and Universal Matches' reshaped Cricket lighter was a success. Merchandising systems by vendors including Scripto-Tokai and General Cigar Co., maker of Djeep, helped fill out the important checkstand territory.

1987 tobacco department productivity at chain drug stores

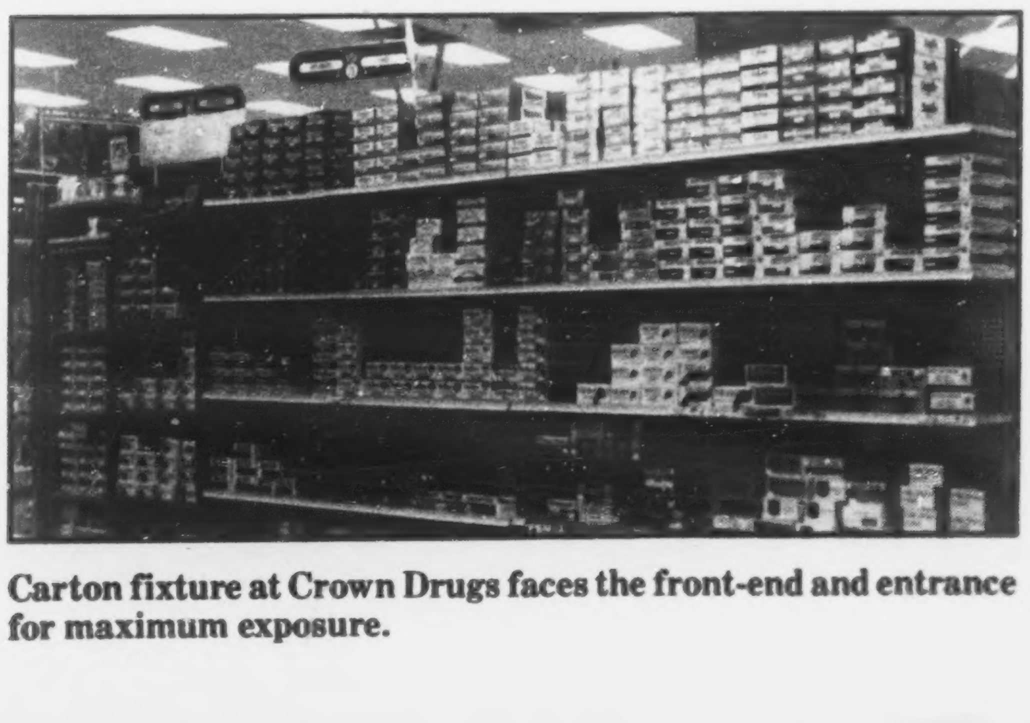
Category	1987 Total sales (add 000)	% of increase	% of sales
Cigarettes	$1,533,666	3.4%	67.31%
Cigars	349,450	2.1	15.34
Lighters/smoking accessories	208,658	5.5	9.16
Tobacco/tobacco products	160,976	3.1	7.06
Pipes	25,777	0.1	1.13
Total	$2,278,527		100.00%

Source: *Drug Store News* survey

1987 tobacco department highlights

Chain drug tobacco sales	$2,278,527,000
1987 percentage increase	3.3%
Percentage of total chain drug sales	6.96%
Typical gross margins	15-20%
Industry profit yield from tobacco last year	$340,000,000 to $455,000,000
Average annual department turns	15.0

Source: *Drug Store News* survey



Carton fixture at Crown Drugs faces the front-end and entrance for maximum exposure.

Tasty 'value image' builds food and beverage traffic

Chain drug store buyers reported tremendous growth last year in sales of edible products, including all types of candies, assorted salty snacks, microwave popcorns, peanuts, fruit juices, imported and light beers, and fruit-flavored wines.

Our *Drug Store News* survey reveals that sales of grocery, snacks, soft drinks, and liquor in chain drug stores increased 7.4 percent to $1.4 billion last year.

Much of the growth was spawned by heavy promotional activity, as drug chains continued to feature key grocery items as traffic generators.

Candy, beer, soda, chips, cookies, jams, jellies, soups, microwave popcorn, cake mixes, and condiments were particularly popular as ad items.

In their ads, most drug chains continued to be super-competitive on price. Their philosophy continues to be to use the popular edibles to lure traffic away from such competitors as other drug chains, food stores, and discount stores.

The emphasis is on promoting a well-known brand at an especially low price to create an image of "value." Osco Drug, for example, recently featured Nabisco snack crackers for $1.19, Planters nuts for $2.99, and Act II microwave popcorn at three for $1, all proven traffic generators.

Osco has also run specials on less competitive categories like canned olives, canned hams, and pineapple chunks. Since these are categories the food chains don't promote as frequently as soda or tuna or mayonnaise, chains like Osco can take a better margin on these features and yet still draw traffic.

Longs followed a similar approach in one of its recent ads. Longs' ads usually highlight a broad assortment of groceries, including Idaho specialty potatoes, Pillsbury Plus cake mix, fudge brownie mixes, gelatins, and the like.

Food, beverages a staple

Foods have become such a staple in today's chain drug store that many chains have developed private labels on high-turning commodities, including nuts, canister snacks, ice cream, and even liquor.

During the past year, snack foods continued as a grocery leader, with items like chips, nuts, and microwave popcorn gaining additional shelf exposure as well as increased advertising.

Wine sales have been strong in drug stores this year, but there are growth segments including wine coolers, fruit-based wines, fruit-based brandies, and to a lesser extent, the premium wines like a Chardonnay, White Zinfandel, or a good Cabernet.

It has been the premium wines, priced $5 and up, which have realized the biggest gains in the entire wine category, according to a recent report by Gomberg-Fredrikson, San Francisco-based wine consultants.

Import and light beers are the growth areas in the beer segment. Most drug chains report that domestic beers like Coors, Budweiser, and Miller sell well in their stores, but gains are also being made by Miller Lite, Heineken, Corona Extra, Molson, and Beck's.

Corona out of Mexico and Molson from Canada have been especially important beer brands, particularly in regional markets like the West and the Southwest for Corona, and the Northeast for Molson.

The larger chain drug stores try hard to make a value statement with groceries. They generally buy best-selling brands on deal and stack them in large quantities to insure that they "fly through" their stores. Some chains report sales growth as high as 30 to 50 percent on certain promotional brands.

Liquor consumption is not on the upswing, but there is still a broad base of users in the markets, and drug chains often use low prices to generate more traffic and pull in more male shoppers. Most chains also try to give the department some merchandising ambiance.

Regional brands popular

However, sources say that consumers are much quicker to pick up on regional trends today, and most liquor buyers say that Mexican and Canadian beers, whenever they're available, are selling well throughout the country.

In non-alcoholic beverages, drug stores have realized strong sales gains during the last year with single cold soda cans, juices, and seasonal drinks like iced teas and lemonades.

The chains that have added single can soda coolers to the stores say they are happy with the arrangement. Sources at Eckerd and Revco Drug say the cold singles sell well "on impulse." They provide a convenience to the regular shoppers and they work to draw in new business, and they have better

Continued on page 129

1987 grocery-snacks-soft drinks-liquor department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Liquor-wine	$ 671,932	7.9%	46.89%
Soft drinks	207,683	6.0	14.49
Nuts	118,859	9.0	8.29
Snacks-cookies	109,308	7.7	7.63
Beer	91,633	5.9	6.39
Canned goods-condiments	62,067	5.9	4.33
Dry groceries	54,317	6.9	3.79
Other foods	117,241	7.5	8.18
Total	$1,433,040		100.00%

Source: *Drug Store News* survey

Cookies and crackers are a growth segment for most chain drug stores today. Buyers say sales in this segment continue to grow. Chains are reacting by giving the category more space and more feature activity.

Deep discount drug chains aren't pushing assortment when they sell foods: they stress price and sometimes convenience. When deep discounters have more product than they can display on end, they like to use cut-end cases on shelves to achieve a look of low warehouse pricing.

Chains feast on food and beverage product growth

Continued from page 127

margins than sodas sold by the pack, and, of course, sodas sold on ad.

Many drug chains are also adding juices, bottled water, and specialty drinks like Gatorade to their mix. These are all categories that have been exploding at food stores, and they also fit in perfectly with today's trend to healthier and lighter beverages. Chains usually take margins of between 20-30 percent on these types of items, and most buyers say they can turn them between 10-15 times a year.

Some chains still continue to maintain convenience food departments in select stores, but the trend to selling convenience foods seems to have peaked. Walgreens is still rolling out convenience food departments in select stores, and Longs is continuing to add food departments at its local management's discretion, but most of the other major chains are just adding c-departments to the occasional "right store," usually defined as a store in a neighborhood where there is a need for convenience groceries.

Peoples, Eckerd, Perry Drug, SupeRx, and Thrifty are among chains with c-food departments in some stores, but none has any plans to expand this end of the business aggressively.

One merchandising vp says the c-food departments are not at all basic to his core business. Instead, he describes them as "an opportunistic category." He adds the best approach the chain drug stores can take to c-foods is "to analyze store locations, and if it makes sense to put a c-food department in, do it on the basis of that particular situation."

Walgreens, of course, has another opinion. Sources for that chain say that c-foods are good traffic builders, and they can be profitable.

"They bring in the customer who needs bread or milk," one source said, "and they bring them back two or three times a week."

Walgreens prices the items in the department comparable to food stores in the area, and usually takes overall margins of between 25-30 percent.

Sources say turns are good and the department is profitable. Right now Walgreens has about 500 stores with c-food departments, and has been adding them at the rate of 100-200 stores a year.

1987 grocery-snacks-soft drinks-liquor department highlights

Chain drug grocery-liquor sales	$1,433,040,000
1987 percentage increase	7.4%
Percentage of total chain drug sales	4.38%
Typical gross margins	15-20%
Industry profit yield from grocery-liquor last year	$215,000,000 to $285,000,000
Average annual department turns	12.0

Source: *Drug Store News* survey

Retailers, mfrs. scramble to cash in on the big pop

Eye on the Marketplace

Bernice Kanner

Last year the average American consumed 51.5 quarts of whole milk, 15.2 quarts of ice cream, 3.8 pounds of butter and 46 quarts of popcorn. Popcorn, you say? Indeed, popcorn, that quintessential American snack, is exploding, and all indications are that it will keep on popping over the next few years.

Last year, both popped and unpopped popcorn sales increased by 24 percent, which is dazzling when you consider that healthy snack food gains register 5 to 6 percent growth annually. And over the past five years, sales of unpopped kernels have nearly tripled. Approximately half of those sales are popping up in drug stores.

Popcorn, a food as American as hot dogs and apple pie, "is the fastest growing segment of snack foods," says Karen Fidler, marketing director of the Bachman Co. "And snack foods are one of the fastest growing sectors of all foods." Packaged Facts, the New York market research company, predicts that the current $1.5 billion retail popcorn market will mushroom to $2 billion by 1990.

Marketers large and small have jumped on the bandwagon, bringing out a raft of new brands. Celebrities have embraced the fluff, including Paul Newman, who has introduced his own Oldstyle Picture Show popcorn, and Ken Kercheval (who plays Cliff Barnes on Dallas), who owns a controlling interest in Old Capital Popcorn.

King of the kernels is Orville Redenbacher, the premium brand named for the bow-tied Hoosier who developed a fluffier strand that moved the entire industry from a commodity oriented business into a gourmet one. The brand, now marketed by Beatrice/-Hunt-Wesson, leads the microwave field with an estimated 37 percent share of the kernel market.

Jockeying for second place are General Mills' Betty Crocker Pop Secret Microwave brand, launched in January 1986, and Pillsbury's microwave popcorn.

Crowding the field are such brands as American Home Products' Microwave Jiffy Pop, Heinz's weight watchers brand and National Oats Company's 3 minute Brand Super Pop. Others are Weaver's Pop Around the Clock, National Presto Industries' Microwave Hot Toppers, Golden Valley's Act III, American Pop Corn Company's Jolly Time, McCormick & Company's TV Time, Curtice-Burns' Pop-Rite and Super Pop, and Nabisco Brands' Planters Premium Select Popcorn.

That Americans seem to have suddenly discovered popcorn may tie in with their current health consciousness, says William Smith, executive director of the Chicago-based Popcorn Institute. "People have woken up to popcorn's wholesome goodness, natural deliciousness and limited calories." (A cup of air-popped popcorn packs just 26 calories and drizzled with a tablespoon

Continued on page 130

Bernice Kanner is a senior editor with New York *magazine.*

PRODUCTS

There's a rage to graze, and sales of popcorn are popping

Continued from page 129

of butter, just 126.) The American Cancer Society praises popcorn's high fiber and low fat content; the American Dental Association applauds its sugar-free status, and the American Dietetic Association cheers its calorie count. Others credit its fitting into today's lifestyle. "First there's a rage to graze, and then popcorn's low price," says John DeGraff, director of marketing at the Weaver Popcorn Co., the world's largest producer of unpopped corn. "We're eating smaller amounts of snack foods during the day rather than eating three big meals. The stuff popped at home costs around 6 cents a serving, putting it in a league by itself."

A different league

But maybe it's popcorn's microwaveability that puts it into a different—and booming league. "Popcorn is a yuppie grazing food but that fad has caught on," says Ben Frutasci, head of McCormick's TV Time brand. "More than yuppies, what drove up the sale of popcorn was the purchase of microwave ovens. After you've boiled water and defrosted in the microwave, you look for other ways to justify the purchase. What better way than microwave popcorn? It's four minutes and no mess versus the old 12 minutes and cleaning up the pan routine. Currently, some 70 percent of U.S. households contain microwave ovens and by 1990, they should be in nearly 90 percent of homes."

Actually, this thoroughly modern munch is as old as the hills. The 15th century Peruvian Indians used it as a confection; North American Indians used it in their diet—and wardrobe. They introduced it to the settlers at the first Thanksgiving feast. Before growing into the name popcorn, the food was called parching corn, popped corn and rice corn. Colonists doctored it with sugar and cream to create what may have been the first puffed breakfast cereal. Until 1885 the kernels were routinely popped over an open flame, but then Chicago inventor Charles Cretos created a steam powered machine to pop corn in oil. That method dominated for nearly a century until the hot air popper and microwave oven appeared.

In 1896 a Chicago manufacturer came out with a combination popcorn, molasses and peanuts that he called Cracker Jacks, but it was Redenbacher who really transformed the popcorn industry. Before him, popcorn was essentially a regional commodity sold mainly in the Midwest as a simple, inexpensive fun food. Then in the mid-1960s, Redenbacher, a onetime country farm agent and later the head of an agricultural-supply company, developed a popcorn that he claimed was fluffier, better-tasting, more tender amd more poppable, popping nearly twice as large as the competition's and sharply cutting back on the old maids, or unpopped kernels in marketing parlance. The various companies Redenbacher approached rejected his idea, believing consumers wouldn't pay more for a pedigree. In 1970, Redenbacher popped his own country bumpkin face on the product and marketed it himself. In 1976 Hunt Wesson bought Redenbacher and invested $6 million in advertising that year—then 10 times what the entire industry was spending.

The stakes are high

Today, the advertising volume and stakes are louder and higher. Pillsbury, which introduced the first microwave brand, has laid low ad-wise, but General Mills introduced Pop Secret in January 1986 with star-power. It showed little animated corn kernels in sun chairs, sporting sunglasses and holding up sun reflectors, oiling themselves and rocking to "LaBamba."

Redenbacher's latest television spots use his real life grandson, a bow-tied lookalike. Planters' ads evoke nostalgia or depict Planters popcorn as light and fluffy enough to float up to the ceiling.

Even with the scramble to cash in on the big pop, many industry observers predict a shakeout. "A year from now there will be four or five survivors from 11 big brands," predicts Frustaci. "Competition will force the little guys out. It will also speed up the introduction of a second generation of popcorn products," says Martin Friedman, editor of *New Product News*. "Lots of food like yogurt and granola bars start out healthy and end up as confection. Soon you'll be able to get microwave popcorn in raspberry and strawberry flavors," he says.

PLAN-O-GRAPHICS℠

The Complete Computerized Planogram Service Center

WE OFFER:

- PRODUCT IMAGES
  - Food and Drug
- PRODUCT DIMENSIONS
  - Over 30,000 SKU's
- PLANOGRAMS CREATED THROUGH PLAN-O-GRAPHICS
  - Our Outstanding Client List Includes Most Major Manufacturers
- OUTPUT OF YOUR PLANOGRAMS
  - Fast Turn-Around with No Delay.
- CONSULTING
  - Benefit From the Company with the Most Experience
- SEMINARS
  - We Educate and Demonstrate

Gladson & Associates is a service center for retailers and manufacturers alike. All you need to provide is data and Gladson & Associates will create a planogram, or send us your planogram and Gladson & Associates will create your visual output.

Whatever your space management needs, Plan-O-Graphics by Gladson & Associates can fill them.

Call (312) 810-0090 today and ask for more information on Plan-O-Graphics.

GLADSON & ASSOCIATES
Design and Merchandising Consultants

1982 OHIO STREET, LISLE, ILLINOIS 60532 (312) 810-0090

Drug retailers use angled shelves to pitch candy towards eye level and generate maximum impulse feel for fast-turning sweets. CVS (left) does this with bagged candies in-line, which are set near snacks and across from magazines for a total curl-up-and-read approach. At Rite Aid, (right) the desired reaction from young shoppers is evident.

Candy emphasized as chains back core categories

Encouraged by consumers' seemingly boundless appetite for sweets, drug chains parlayed high visibility and heavier promotions into an 11 percent gain in candy sales last year.

The showing for bagged and bar candies was especially strong, with bagged products up 12 percent and bars up almost 13 percent.

In a year in which total chain drug sales rose eight percent, candy's double-digit performance was a cause for celebration among chain executives. Industrywide, only pharmacy outperformed candy in sales gains.

To achieve those increases, chains vigorously supported the category by using the choicest of real estate—both on- and off-shelf—for display. Chains such as CVS, Brooks, and others turned their checkout counters into virtual candy stores, as they sought to capitalize on the high-impulse nature of the category as well as its high turns and gross profit dollars.

Top checkout item

Indeed, when chain drug merchandisers were asked by *Drug Store News* to name which category they preferred to display at the checkout counter, candy was number one on the list.

Although some drug chains have chosen to adapt their checkstand counters for powerful statements in candy merchandising, many others have worked to bolster sales by displaying the category on nearby fixtures and endcaps.

Others have gone to freestanding, vendor-supplied floorstands for candy, while some chains, like Longs, are using freestanding metal spinner racks for items like multipack gum.

Whether on endcaps or promotional tables, chains have devoted more space and visibility to candy while playing up special pricing advantages, like two for 99 cents. Working with vendors for better pricing packages and stocking more multipack items have also helped increase sales.

But chains haven't just used prime locations and strong POP merchandising alone to increase sales. They've also promoted the category vigorously, both seasonally and every day.

Easter is key holiday

During the recent Easter season, chains advertised heavily to attract the 62 percent of the nation's consumers who choose confectionery products to fulfill their gift needs. This figure is the estimate of the National Confectioners Association (NCA).

With what the NCA figured was nearly $800 million in Easter candy sales up for grabs, drug stores stocked shelves with candied eggs, chocolate rabbits, and marshmallow ducks, while advertising their cache for several weeks prior to the holiday.

At Osco, one color circular devoted nearly two and a half pages to Easter candy, baskets, grass, and plush toys. However, it was the candy that accounted for most of the space.

Cadbury eggs, Whitman Easter samplers, Brach jelly bird eggs and marshmallow candies combined with Hershey, Leaf, M&M/Mars, Rodda, Zachary, and Palmer confections in Osco's advertised candy mix.

Similar candy was offered at other chains throughout the country. The drug retailers, however, were not just emphasizing Easter candy this year, but all regular and seasonal candy, as part of the reemphasis by many chains of core drug store merchandising.

The importance of candy was recently underscored by Longs during the opening of its new Longs pharmacy in San Diego. Here, where the store is only half the size of a normal Longs superstore prototype, the chain has actually devoted more than normal space to candy because of the store's particular downtown market.

Walgreens, too, has taken a strong stance in the candy category with expanded advertising and product mix. The Deerfield, Ill.-based chain has combined these tactics with more in-store displays and competitive pricing to lead many drug stores in luring customers to its stores consistently.

At most drug chains, the top selling candy focus has been on the large-sized Mars and Hershey candy bars, M&M's, Nestle's, Mon Cheri and Rocher imported chocolates, Andes after-dinner mints, Brach bagged candies, Tic Tac and Pez mints, Peter Paul and Cadbury bars, and Whitman boxed and bar candy.

These hot products are expected to carry drug chains to even greater dollar sales over the next 12 months, as the industry tries to increase its current 10 percent share of the retail candy market dollar sales.

At Peoples, single bars by the store entrance are heavily trafficked and promoted with item-price signs on the shelves.

1987 candy department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Bagged	$ 464,897	12.0%	39.19%
Bars	354,291	12.9	29.87
Boxed	237,150	10.5	19.99
Chewing gum	110,855	5.0	9.35
Other	19,018	7.0	1.60
Total	$1,186,211		100.00%

Source: *Drug Store News* survey

1987 candy department highlights

Chain drug candy sales	$1,186,211,000
1987 percentage increase	11.2%
Percentage of total chain drug sales	3.62%
Typical gross margins	25-30%
Industry profit yield from candy last year	$295,000,000 to $355,000,000
Average annual department turns	7.5

Source: *Drug Store News* survey

BEST AVAILABLE COPY

THE 1988 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Plastic kites at $1.99, pegged toys at less than $2, and the Barbie Doll make up part of the toy assortment of this Walgreens in downtown Chicago.

Games and pre-school toys gained sales in 1987

(millions of dollars sales at first billing value)*

Category	1986 sales	1987 sales	% change
Ride-ons, such as tricycles (excludes bicycles)	$ 288	$ 570	97.9
Vehicles, such as battery-operated cars	764	923	20.8
Games & puzzles	760	861	13.3
Plush	1,062	1,161	10.5
Guns	71	78	9.9
Infant-preschool	816	840	2.9
Action figures & robots	1,105	702	(36.5)
Dolls & accessories	1,663	920	(44.7)

*First billing value is the first price paid for the item in the U. S., such as at wholesale or port of entry.

Source: Toy Manufacturers of America

Basic games pass go; collect drug chain dollars

Drug chain buyers who limited their outlays on "TV toys" fared best in 1987, as the high-margin basics—such as board games—carried the ball.

For the third year in a row, chains found that perennial favorites were often leading sellers.

Items such as Hasbro's G.I. Joe and Barbie made waves; Fisher-Price continued to score with innovative pre-school toys; and chains also posted good sales with imports in the $5-$20 range.

Basic toys were, in fact, some of the best-selling items in the toy industry as a whole in 1987.

Six of the top 20 toys were board games or pre-school items, an unusually high percentage of basic items within the top tier, toy industry experts said.

The Games Gang's Pictionary was the second bestseller, according to *Toy and Hobby World*'s Toy Hit Parade. Milton-Bradley's Win, Lose or Draw, and Scruples board games placed sixteenth and seventeenth, respectively.

Fisher-Price's Fun With Foods gained the sixth position, followed by its Fisher Kitchen in tenth, and Little Tykes' Party Kitchen in thirteenth.

Except for Nintendo's Entertainment System interactive video game, most of the top names were old familiars, such as G.I. Joe and Barbie, which placed in third and fourth positions, respectively. Former giants such as the Cabbage Patch Kids—which sat in seventh place—lingered on.

Despite the success of the traditional items, industry officials said it was a flat year in sales, after virtually no leading promotional toys emerged. Chain drug industry sales were up a modest 6.8 percent for the year.

For the third year in a row, chains found that perennial favorites were often leading sellers.

Jack Price, vp-buyer at Associated Drug Stores, termed 1987 "an unmitigated disaster" for the toy industry as a whole. Many retailers were left with unsold inventory of promotional toys that had failed to spark widespread consumer enthusiasm. Adding to the confusion for retailers was the re-emergence of video games after several years of virtual invisibility. Nintendo's game "came out of left field and took over the number one spot," Price observed.

Price felt this year's February Toy Fair offered scant hope for 1988. Innovation remained scarce, and some products that had been announced were never shown.

This year, Price added, chains will roll the dice once again with board games, pre-school, metal vehicles, and imports in the $10-$20 range, Price said.

Drug chain buyers said basic toys played the leading role in decent Christmas sell-throughs, as inventory levels were kept close to historical levels.

Results by the nation's retailers were reported mixed overall, although toy stores reportedly did quite well, even without new and exciting items.

"We stayed very basic this past year," said Jim Wuest, Fay's Drug vp-merchandising.

Traditionally strong in promotional toys, Fay's cut back, since "you tie up an awful lot of money, and you can't make any profit," Wuest said.

Wuest said Fay's started its seasonal advertising too early last year. It failed to clear inventory on a Disney promotion with a double-page September launch.

"We started a little too early, and we were a bit too wide in our selection. We came out of September with residue," said Wuest. But that was mostly cleared out later, as Fay's followed with an October promotion centered on Fisher-Price toys, and a November half-price promotion.

Kinney Drugs also scaled back on TV items and had a lower investment in the category overall. "But our gross profit was better because we went with the basics," said buyer Dale Jackson.

G.I. Joe and Barbie were notable frontrunners at Kinney.

Nintendo's game was a big seller at several chains, as were keyboards by Casio and Yamaha.

Gift wrap, Trim-a-Tree, greeting cards, cosmetics, fragrances, and peggable imports at under $5 anchored many programs.

"I think its going to be another basic year," predicted Kinney's Jackson.

"Nobody was really very excited about the new products the companies had [in 1987]. I think it's going to be more of the same for 1988," he said.

1987 toy department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Games	$138,071	9.5%	18.75%
Pegged toys	107,423	4.6	14.59
Cars	95,244	6.4	12.93
Boxed toys	92,873	5.8	12.61
Preschool	72,743	8.9	9.88
Plush	56,790	7.2	7.71
Dolls	55,690	5.6	7.56
Hobbies	40,611	4.9	5.51
Miscellaneous/seasonal	77,027	6.2	10.46
Total	$736,470		100.00%

Source: *Drug Store News* survey

1987 toy department highlights

Chain drug toy sales	$736,470,000
1987 percentage increase	6.8%
Percentage of total chain drug sales	2.25%
Typical gross margins	35-40%
Industry profit yield from toys last year	$255,000,000 to $295,000,000
Average annual department turns	4.0

Source: *Drug Store News* survey

Blockbuster lines lose their fire

Basics, pre-school toys, board games, and puzzles were among the better toy performers in 1987, as memories of mighty sales growth based on blockbuster toys or lines receded further into the past.

Retail toy sales totalled $12.5 billion, the same as last year. Manufacturers' shipment dollars were $8.2 billion, compared with $8.3 billion in 1986.

"Although shipment dollars for 1987 were down 1.5 percent, unit sales increased by 13 percent," said Robert Cooper, board chairman of the Toy Manufacturers of America.

"Reasonable year-end retailer inventories and the huge success of video games—which are not included in our industry figures—have led us to conclude that sales at the consumer level were stronger than expected last year," Cooper said.

He added that many small- and medium-sized toy makers reported excellent sales and earnings, particularly makers of high-quality basic toys.

Predicting wholesale and retail sales growth of 5 percent in 1988, Cooper said he expects to see more learning games that incorporate the family VCR; toys that use sophisticated talking and movement mechanisms; and more basic toys that allow children "open-ended creative play."

Drug chains battle mini-labs for market share

Batteries
FILM DROP

FILM FOR
'SS EVERYDAY
FLAG SET

Top left: A Dart Drug store in downtown Washington, D.C. attracts heavy lunchtime crowds, many who use convenient photo processing drop, surrounded by cameras, film, flash and batteries in self-service corner by store entrance.

Above: Service at photo counters is vital to upgrading customer purchases of cameras and accessories, and enhancing store image, as at Longs.

Left: Eckerd displays popular 35mm, instant and other films by checkstands, along with flashes to remind many of its tourist customer base to replenish.

The boom in amateur 35mm photography is real, and it continues to shower healthy sales increases on all retailers of photofinishing services, cameras, film and photo supplies, and drug stores. But the technological and demographic forces which are propelling the market are also transforming it.

For the first time in 1987, chain and independent drug stores lost their traditional strong place at the top of the photofinishing market. As a trade class, drug stores saw their unit share of U.S. photoprocessing volume slip two percentage points last year, to 24 percent of the total market.

That slippage was due to the incredible boom of one-hour photo labs, which cater to the new generation of amateur 35mm shutterbugs with convenient locations, speedy service, and at least the perception of quality photofinishing.

Last year, the mini-labs drew 29 percent of the total photofinishing business in the U.S.—a gain of more than five share points in a single year—and knocked drug stores from their longtime perch at the top of the market, according to market data supplied by the Photo Marketing Association.

The one-hour centers are a recent phenomenon, but their growth has been extraordinary. In 1980, there were fewer than 1,000 in operation; by the end of last year, according to the PMA, nearly 15,000 mini-labs had blanketed the U.S., providing a powerful new source of competition for drug stores and other outlets.

"Arguably, no photo processing segment has benefited from the growth in 35mm photography to a greater extent than mini-labs," noted a recent PMA report. "The [photofinishing] market appears to be settling into a two-tier structure with price-competitive photo processing retailers representing one tier, and across-the-counter, service-oriented, on-site retail processors representing the second tier."

The report goes on to say, however, that "these two markets can peacefully co-exist given the fact that the overall processing marketplace is made up of a variety of photographic consumers."

On the other hand, a few drug and supermarket retailers have leaped into the fray with their own in-store one-hour labs. Leading the march among drug chains is Eckerd Drug, which already has more than 60 in-store labs open throughout Florida, and Canada's London Drug, which operates a dozen of the centers and reaps a major share of the photofinishing market in Vancouver, B.C.

Despite the development of highly automated, easy-to-install "washless" developers and printers, however, most drug chains are approaching the one-hour business cautiously. "We're not jumping on it yet, because there's still a lot to be decided in terms of how profitable or worthwhile they'd be on a big scale," said one chain drug photo manager.

Indeed, many drug chains are still adapting to the rapid consolidation of the wholesale photofinishing business, which still accounts for a major share of the processing work done by most chains. The biggest example of consolidation has been the recent merger of Eastman Kodak's photofinishing operation with Fuqua Industries' Colorcraft into a new company called Qualex. The merger was completed at the end of March, creating the country's largest wholesale photofinishing operation.

Whatever method drug chains use to process film, however, is not as important as the benefits they are reaping from an unprecedented boom in amateur photography. The growth has been sparked by the development and accelerating popularity of low-cost, easy-to-use point-and-shoot 35mm cameras in the 1980s.

This overall boom has helped produce a 10.1 percent sales increase in photo-video departments at chain drug stores in 1987.

The new-generation compact 35mm models led the camera market last year, with sales to dealers up substantially to about 7 million units compared with 5 million in 1986. Although much of that growth came at the expense of the waning disc format and the almost extinct 126 pocket model format, the 110 pocket camera remains a strong seller, with sales last year of nearly 6 million units. Polaroid's line of instant cameras also continues to sell extremely well, and the company is developing some highly touted new product innovations—including a filmless electronic imaging system—to maintain sales momentum.

The auto-focus 35s, however, have boosted sales in all photo categories and elevated amateur picture-taking to a more serious, quality-oriented level. For instance, 35mm film now accounts for nearly three-fourths of all film processing, compared with just 30 percent a decade ago. In addition, 35mm now accounts for well over half of all types of film sold, and its share should rise to as much as 75 percent by the end of the decade, according to industry estimates.

"It's more and more competitive, but it's a great thing what the manufacturers have done with 35mm photography," noted Osco spokesman John Kromer recently. "They've gotten more and more away from pocket cameras and into higher-quality photography, and it's driving our processing business."

Meanwhile, manufacturers are now developing new, more advanced point-and-shoot 35s at a frenzied pace. This year, a spate of new auto-focus models with dual lens capabilities has been launched in the U.S., including zoom lens point-and-shoot cameras. As competition among the various manufacturers intensifies and prices come down, the dual-lens models will become more of a standard item for drug retailers.

Disposable cameras represent another area of opportunity. First developed by Fuji in 1986, the throwaways now represent a viable alternative, especially as a seasonal item in vacation areas. The first disposable with a built-in flash unit was unveiled at the Photo Marketing Association Convention in late February.

1987 photo/video department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Film total sales	$ 512,853	10.2%	36.00%
Still color	327,559	11.1	22.99
Instant picture	167,816	8.9	11.78
Movie color	12,341	4.8	0.87
Still B&W	5,137	7.8	0.36
Processing	496,471	13.5	34.85
Flashbulbs/flash attachments	211,658	6.0	14.86
Cameras	139,122	6.5	9.77
Blank/pre-recorded video cassettes	64,529	5.6	4.53
Total	$1,424,634		100.00%

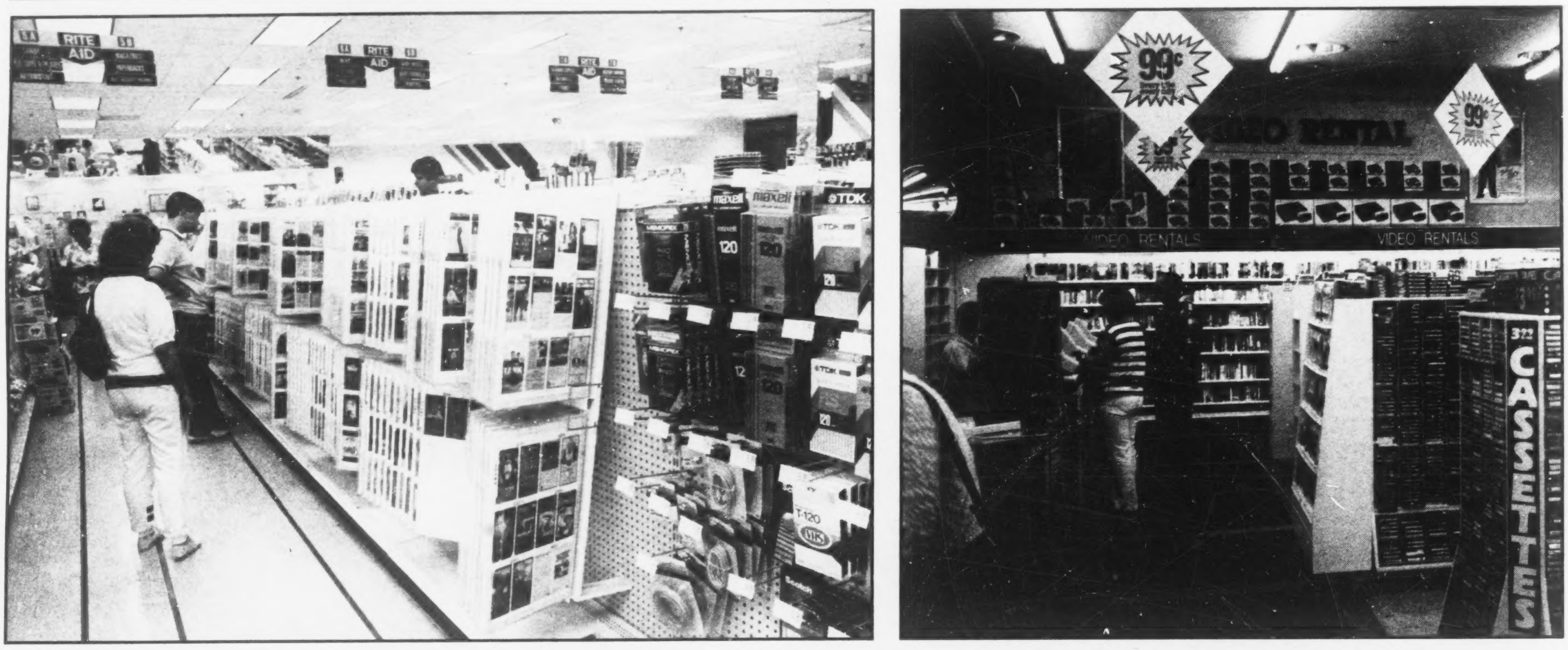
Source: *Drug Store News* survey

1987 photo/video department highlights

Chain drug photo/video sales	$1,424,634,000
1987 percentage increase	10.1%
Percentage of total chain drug sales	4.35%
Typical gross margins	20-25%
Industry profit yield from photo/video last year	$285,000,000 to $355,000,000
Average annual department turns	9.0

Source: *Drug Store News* survey

PRODUCTS



Left: Rite Aid's approach to video merchandising enables shoppers to comfortably browse titles before going to rental counter. **Right:** At Pay 'n Save, audio and video is blended into an entertainment department. A primary draw is 99 cent rentals.

Video boom spawns new sales, heavy competition

Deep discounter Rx Place displays public domain tapes on spinner racks, promotes selected name movies at less than $20, and sells blank cassettes and accessories in a high impact department.

In a few short years, the home video revolution has spawned a mature, multi-billion-dollar industry. The growth of that industry has tapered off into single-digit figures, but with VCRs now found in about 50 percent of all U.S. households and the level of household penetration still increasing, the outlook calls for a stable, growing market for blank videotape for years to come.

"We are now dealing with a market which can be considered mature and this translates to more conservative growth rates," noted R. Stanton Bauer, general manager of Fuji Photo Film's Magnetic Products Division, in a report on the magnetic tape industry. "We will no longer see the dramatic double-digit annual growth experienced during the period 1983 through 1986."

Nevertheless, Bauer adds, "Single-digit growth on an immense base is still impressive growth."

The VCR boom has drawn thousands of competitors into the fray, however, and made the videotape rental business a competitive headache, at the very least. On the blank tape side, prices have come down steadily as more major manufacturers and virtually all retail classes have become embroiled in the war for sales. Top brand blank videotape can now be found for as little as $3 a tape on multipack promotion, and the price competition shows no signs of abatement.

"We bought a big shipment of major-brand videotape on deal, and put out stacks of it in three-packs at $3 a tape," noted George Jeffers, president of Price Less in Sacramento. "It has blown out of here every time we do."

Despite the intensive price promotions, the video market represents a major opportunity for incremental sales and profits. Video and audio tape combined now constitute a market over $2 billion, according to industry estimates, and the market is big enough to give everyone a slice of the pie.

In addition, as drug retailers have moved into the category with more complete selections of major brands, their sales have mushroomed. And by offering the convenience of multipacks and multiple store locations in tandem with periodic price specials, drug chains have been able to maintain decent margins in the category.

"Blank video has been a very strong category for us, with sales up 300 percent in the past year," noted F&M Distributors president Frank Newman recently, echoing the comments of several chain executives.

"We do very well by stocking a few of the major brands, but we avoid the low-end, cheaper-quality tapes," added a chain drug buyer. "We don't want to risk dissatisfied customers."

Over the past year, most drug chains have capitalized on the growth in demand for high-quality blank tapes by stocking more top-name brands and boosting space for the category. Among recent examples: Pay 'n Save, Eckerd Drug and Phar-Mor. Many are also homing tapes in multiple locations, including a floor stand facing the electronics/photo counter and at end-caps or dump bins facing the check-stands for impulse buying.

Drug chains are also capitalizing on the growing importance of female buyers in a category once considered the province of males. As blank videotape has become a commodity item, with low price points, high use rates and familiar brand names like Kodak, Polaroid, TDK and Scotch, women have emerged as a major part of the market. And because they comprise the bulk of drug store and supermarket buyers, women have helped swing the balance of the videotape market in favor of those trade classes.

The video rental market, on the other hand, seems fraught with peril for chains without adequate financing to handle the large inventory carrying costs and other expenses involved. More and more, the rental business is going to a few major players in each market, as underfunded mom-and-pop operations fall by the wayside.

The handful of drug chains which made an early commitment to movie rental departments in their stores, with adequate staffing, inventory and systems to make the concept work, seem to have overcome the accelerating market shakeout and have made video rentals a viable part of their overall sales picture. Among the most successful are Rite Aid (the nation's leader in rental volume, with hundreds of locations offering thousands of titles), Wellby Super Drug and Phar-Mor.

Phar-Mor, in fact, has begun opening off-price stores with greatly enlarged video rental alcoves after scoring a big hit with the movie business. Its success with the concept is due to its widely advertised price of 69 cents a night—the lowest in town—as well as its ability to keep service costs low and customer traffic high. The chain has also succeeded in using its video department as a customer draw to boost sales throughout the store.

Other major chains which are testing the video rental business include Walgreens, Pay 'n Save and Genovese. Revco and Hook Drugs, meanwhile, have installed video dispensing machines in some of their stores to test the feasibility of service-free movie rentals. The machines offer several hundred VHS titles and fully automated customer transactions, using either a credit card or a membership card.

Nevertheless, the jury is still out about the long-term feasibility of movie rentals for drug chains. Said one chain drug president in the Midwest recently: "You can't build a profitable business renting a $70 item at a dollar a night, which is what a lot of these people are doing. I think it's going to go the way of optical centers; in a few years, most drug chains will be out of it. It's just too competitive."

Many drug chains place consumer electronics, small appliances and other general merchandise behind counters so shoppers can be serviced by trained personnel who help induce sales.

Jewelry, with an accent on earrings, is displayed with cosmetics along the front wall of this Norwood, N.J., Cost Cutters, the deep-discount arm of Community Distributors (Drug Fair of New Jersey).

Core general merchandise makes strides in '87

General merchandise/sundries sales increased by 6.2 percent at drug chains in 1987, to $1.3 billion, with electronics, sunglasses and batteries fueling category sales in drug stores.

Many drug chains are raising volume in the consumer electronics segment, increasing their assortments of such items as small radios and "boom boxes," as well as cordless phones, personal stereos and microwaves.

Crown Drug's consumer electronics sales, for example, increased 20 percent in fiscal '87, compared with a 10-12 percent increase the previous year, according to vp Ruben Johnson. Electronic items, which Crown displays behind checkout counters to avoid shrinkage, afford 15-25 percent margins at the chain.

Colors and such items as the Pollenex Splash Dance radio and the Gran Prix portable keyboard helped boost sales, he said, especially appealing to young adults.

Crown also carries Gran Prix radios for promotions and GE models for step-up sales, as well as some boom boxes and Pollenex' Rescue emergency radio.

Sunglass sales top $1 billion

Over-the-counter sunglass sales nationwide topped the billion-dollar mark for the fourth consecutive year, rising to $1.3 billion nationwide in 1987, from $1.2 billion in '86. Of the 189 million pairs sold, drug stores accounted for 21 million, or 11 percent, of total units, according to the Sunglass Association of America (SAA). The average price paid for a pair was $7, compared with an average $6.85 in 1986.

Drug store chains, which generally beef up their sunglass selection during the prime spring/summer selling season, report healthy turns and margins year-round. But growing competition at both ends of the spectrum—street vendors and other conduits of cheaper imports at the low end and upscale specialty sunglass shops and department stores at the other—have eaten into profit margins. In addition, many chains feel compelled to discount sunglasses everyday or through promotions.

Sunglasses are often displayed near checkouts, reaping high impulse sales, but some chains also position them near cosmetics or in other high-traffic areas.

Minneapolis-based Thrifty • White Drug Stores, for example, maintains a half-price spinner rack as well as its regular name-brand sunglass spinner near checkouts in its larger stores.

"We go with the fashions—that's where the sales are," said Ronald Ransdell, director of merchandising. Vendors service Thrifty • White's sunglass area, and "we rely on them on trends," Ransdell added. The chain doesn't position sunglasses near cosmetics, as some chains do, to avoid a cluttered look in its cosmetics department, he explained.

1987 general merchandise productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Pantyhose/softgoods	$ 227,511	6.6%	17.67%
Sunglasses	215,489	6.8	16.74
Batteries	188,005	10.0	14.60
Pet needs	170,921	4.4	13.28
Sporting goods	142,754	3.9	11.09
Watches/bands	115,326	5.4	8.96
Home electronics	110,085	8.1	8.55
Yarn/sewing notions	78,483	2.9	6.10
Miscellaneous	38,845	3.8	3.02
Total	$1,287,419		100.00%

Source: *Drug Store News* survey

1987 general merchandise department highlights

Chain drug general merchandise sales	$1,287,419,000
1987 percentage increase	6.2%
Percentage of total chain drug sales	3.93%
Typical gross margins	35-45%
Industry profit yield from general merchandise last year	$450,000,000 to $580,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

Chains generally depend on vendors to maintain racks featuring the latest styles and colors as well as basic lines. The price of sunglasses in drug stores averaged $8.57 in 1987, according to the SAA, but some drug chains with stores in affluent areas go as high as $150.

32 batteries per household

Batteries continue to be a high-turn impulse item for drug stores, generating big profits and ranking among the top 10 most frequently cited, regularly available products at checkstands. [*See* Drug Store News *Checkstand Merchandising Study, March 14 issue.]*

Consumers spend about $2.5 billion a year on batteries, with the average household buying 32 annually to use in 10 battery-operated devices, according to a survey by Duracell. Forty percent of that spending comes in the latter part of the year, for gift-giving holidays.

In all, shoppers spent $188 million on batteries at chain drug stores in 1987.

Drug chains, faced with formidable competition from mass merchandisers, are using more aggressive tactics to hold battery market share, including more floor racks for cross-merchandising, displays in heavily trafficked aisles and tie-ins with vendors' promotional schedules.

Hearing aid batteries are gaining importance for some chains, with Eckerd, for example, using the specialty batteries to emphasize its health care image as well as boost category profits. The growth of the elderly population and the increase of those using two hearing aids have helped make the segment a $73 million market that is growing at a 14 percent annual rate.

Pantyhose sales flat

Pantyhose sales nationwide were basically flat in 1987 at $1.8 billion, possibly dampened by a significant shift to longer-wearing Spandex sheer styles, according to a spokesman for MCRA, based in Stamford, Conn.

Overall, pantyhose average $1.90 a pair, while drug stores' average price is $1.55. Discount stores and catalog mail-order operations grab the largest share in units, with 20 percent apiece. Drug stores have a 9 percent share of units; food stores, 14 percent; department stores, 10 percent; the remainder is accounted for among such operations as Sears and JC Penney and small hosiery outlets, according to MRCA surveys.

Chains generally position pantyhose near cosmetics, for multiple sale opportunities.

Jewelry

Crown's Johnson said that since his chain began to use a L'eggs-Timex service plan last fall, in which the hosiery and watches racks are serviced on a cooperative basis, watch sales have increased by 30-35 percent.

Drug store chains, which generally beef up their sunglass selection during the prime spring/summer selling season, report healthy turns, margins year-round.

Crown offers Timex and Lorus watches, from $9.95 to $49.95, with margins running about 20 percent after an everyday 20 percent discount.

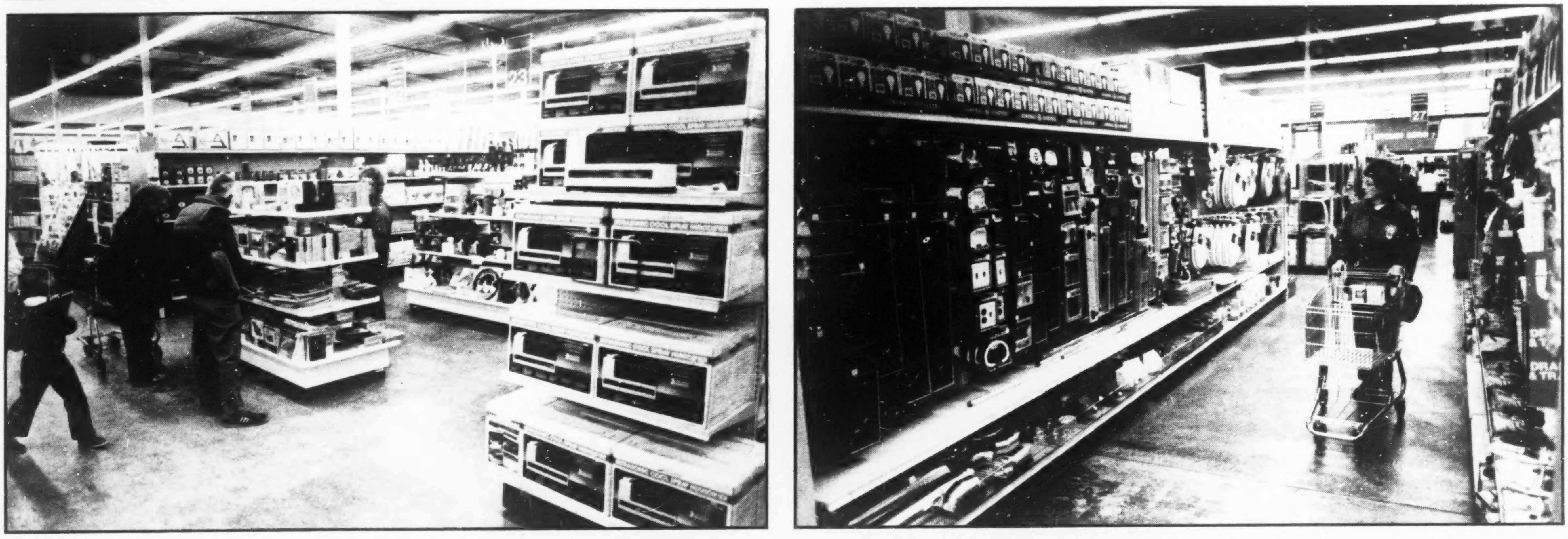
Vendors often work closely with chains to service the jewelry section and prevent shrinkage, although, in the view of Ron Ransdell at Thrifty • White, "The best way to prevent shrinkage is for our clerks to say, 'Hi, how are you' " to let browsers know someone's minding the store.

Although many chains don't promote jewelry, Eckerd promotes year-round through a full-color page in six circulars.

Thrifty • White runs promotions of 97 cent items, with its everyday jewelry selection running between $3 and $5, and up to $30 in its large White Mart general merchandise stores. Ransdell reports the best sellers are earrings, bracelets and silver and gold chains.

The chain works with such vendors as Marle on a two-week call basis for service.

PRODUCTS



At Bi-Mart, Lincoln City, Ore., shoppers (l) can circulate easily within varied housewares department, which devotes prime space to humidifiers, but also displays porcelain mugs, giftware and other tabletop items. Woman (r) examines bath accessories on totally self-service peg display.

Chains continue steady sweep in housewares

Walgreens in Newton, Mass., positions its brand against some of the leading sellers in chemicals and room fresheners. Note full facings and grouping by product function. Inset: Fay's, a heavy general merchandise retailer, devotes equal space to GE and its store brand bulbs. It also displays nightlights and extension cords to fill customer replenishment needs and yield high margins.

Housewares didn't provide many surprises at drug chains in 1987.

The category simply logged its reliable rate of growth as the fifth largest category in this class of trade. Housewares sales overall grew 4 percent last year to $2.1 billion, largely on the strength of expanded efforts in household supplies, electronic humidifiers, lighting and personal care appliances.

Playing off regular visits

Drug store operators figure, and rightfully so, that their stores offer generally quick in-and-out shopper visits and are well suited to merchandising items which consumers replenish regularly. Certainly, household chemicals and cleaning supplies and lighting fall into this category.

Cleaning goods rose nearly 6 percent, thanks largely to presell advertising to consumers by major manufacturers, and constant promotional and endcapping efforts by retailers. One New York chain recently offered 96 ounces of Liquid Tide at a $3.99 sale price. This was augmented by a $3 manufacturer rebate coupon, bringing the consumer's cost down to 99 cents—for an item that often sells at food stores for $5.

Twenty-four foot runs

Deep discounters have long recognized the shopping attraction of household supplies, and devote runs of 24 feet and more to the category.

The growth of lighting products outstripped that of every other housewares category. Its 6.2 percent gain last year reflects a greater willingness by retailers to merchandise bulbs by brand and function, making it easier for consumers to shop.

Major category suppliers have worked hard to presell consumers and develop display fixtures that clearly delineate bulbs. Bulbs are high margin everyday, leaving plenty of room for constant promotions meant to prompt stock-up sales. It is common to see lighting fixtures near main traffic aisles, as in many Eckerd stores, to generate impulse purchases.

No. 1 category: Plastic housewares

Drug store operators also continued to make promotional gains with electronic humidifiers in $30 to $50 range. Plastic housewares, including microwave cookware, held its rank as the largest housewares category, at $442 million at drug chains last year.

On the fashion side, plastics sported mauve and slate blue colors often, reflecting color preferences that are generally played to more aggressively at such discounters as K mart, Wal-Mart, Target and Bradlees. Even space-constrained drug stores found opportunities here, however.

At one Longs store, for instance, 70 feet of Rubbermaid plastic storage bowls, dishracks, laundry baskets and trashcans were displayed in blue, pale pink, white and tan.

In its well developed housewares department, Longs offered kitchen utensils, cookware and gadgets on adjacent displays, and small electrics and personal care appliances across the aisle.

A different approach was shown by Thrifty in a recent circular, which promoted 9-inch glazed stoneware bowls for 99 cents and sets of two non-stick frying pans for $5.00. The same circular showed, in a far higher price range, Black & Decker irons at $27.99 and $42.99.

Similarly, Osco highlighted higher-priced appliances to draw traffic, while still stocking a wide range of basic lower-priced items.

1987 housewares department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Plastic and rubber housewares	$ 441,561	4.4%	21.20%
Household supplies	241,095	5.7	11.58
Personal care	233,194	6.1	11.20
Small electrics	198,134	2.8	9.51
Glassware/dishware/cookware	186,154	0.3	8.94
Paper products	155,774	3.7	7.48
House and kitchen gadgets/gourmet	120,167	5.6	5.77
Lighting products	98,080	6.2	4.71
Picture frames/mirrors	68,906	1.4	3.31
Insecticides	65,789	4.8	3.16
Furniture/outdoor furniture	54,988	2.9	2.64
Plants/plant care	49,810	4.8	2.39
Bath/closet	37,012	1.7	1.78
Giftware	26,033	0.7	1.25
Vaporizers/humidifiers	22,333	4.5	1.07
Miscellaneous	83,609	2.0	4.01
Total	$2,082,639		100.00%

Source: *Drug Store News* survey

1987 housewares department highlights

Chain drug housewares sales	$2,082,639,000
1987 percentage increase	4.0%
Percentage of total chain drug sales	6.36%
Typical gross margins	35-45%
Industry profit yield from housewares last year	$730,000,000 to $935,000,000
Average annual department turns	3.0

Source: *Drug Store News* survey

$2.99
10 PAK
10 PAK
10 PAK
Long Lasting Fresh Breath

Eveready, Rayovac and Garrity flashlights are pegged in this Walgreens do-it-yourself section. Inset: Crown Drugs displays a broad assortment of high-margin specialty lamps adjacent to a DIY section in this Winston-Salem store.

Non-pros fuel do-it-yourself sales growth

Some chains favor do-it-yourself departments as a way to capture the weekday convenience trip, though the category has carried less importance at drug chains with the rise of mammoth home center chains.

Still, DIY posted a nominal 1.2 percent sales gain at drug chains in 1987 to $405 million.

There is plenty of consumer demand for home improvement and auto supplies.

The growth of spending for home repairs among nonprofessionals in fact fueled most of the overall growth of home repair spending in 1987. Homeowners spent $67.95 billion, eight percent more than the year before, as the total home improvement market hit $99.46 billion, the Do-It-Yourself Research Institute reported.

The automotive aftermarket is expected to rise as much as 15 percent in 1988, the Automotive Parts & Accessories Association predicted recently. This will be fueled by a large number of cars bought two to three years ago coming out of warranty.

Such jobs as tuneups and fluid and chemical changes, often ordered while cars are being repaired in the garage, will be resumed by the car owners, sparking retail demand, an APAA spokesman said.

But 1987 was a year that saw some notable drug industry cutbacks in automotive supplies.

Perry Drug took the biggest leap from auto parts retailing when it sold off its auto parts division. Concurrently, auto parts departments in its drug stores have been pared back, as part of a larger cutback in general merchandise, including marine, pet supplies and sporting goods. The stores will retain minimal auto sections with items such as windshield washing fluid, oil and antifreeze, Perry has said.

Items such as small hand tools and electrical cords and tape formed the core of DIY departments at many chains. Walgreens and Eckerd are among large chains that feature space-efficient displays at high traffic locations to capture high margin impulse purchases.

At LaVerdiere's, battery-operated Black & Decker handtools priced $19 to $35 were prime performers. The Maine-based chain can receive 25 to 28 percent margins on B&D tools such as rechargeable screwdrivers and 3/8 inch drills, and a 12-volt car vacuum cleaners, said Jim Poulin, LaVerdiere's vp-purchasing.

A typical 24-foot section will also include automotive accessories and spray paint.

High-ticket tools and lawn and garden items have to be priced competitively with discounters K mart and Zayre, Poulin said.

"We tried some no-name products last year and we did not do well with them," Poulin said.

Competition from the mass merchandisers and supermarkets has eroded motor oil margins. But LaVerdiere's still does a significant volume, with brands priced at 79¢ to 89¢, and private label at 69¢.

The chain's Maine neighbor, Wellby Drugs, takes a far lower DIY profile. In fact, apart from three to four feet of motor oil (which it doesn't promote) and windshield washer fluid, it carries no DIY items. The chain feels the stores lack the space, says general merchandise buyer Tina DiMillio.

Memphis, Tenn-based SuperD drugs similarly finds limited room in its stores for DIY. And auto parts are avoided since they would compete against the free-standing auto parts stores that SuperD's parent Malone & Hyde is rolling out in force, SuperD officers have said.

Pay Less NW makes one of the strongest do-it-yourself statements, and regularly promotes items such as paint and auto accessories.

It recently launched circular ads featuring a $9.99 rotary car washing brush at a $6 savings, a $4.99 two-dollar savings on a gallon of paint, and windshield wiper blades at $1.99 a pack.

1987 do-it-yourself department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of sales
Hardware	$178,567	0.1%	44.11%
Automotive	168,175	4.0	41.54
Paint/paint supplies	58,098	−2.8	14.35
Total	$404,840		100.00%

Source: *Drug Store News* survey

1987 do-it-yourself department highlights

Chain drug do-it-yourself sales	$404,840,000
1987 percentage increase	1.2%
Percentage of total chain drug sales	1.24%
Typical gross margins	35-45%
Industry profit yield from do-it-yourself last year	$140,000,000 to $180,000,000
Average annual department turns	3.0

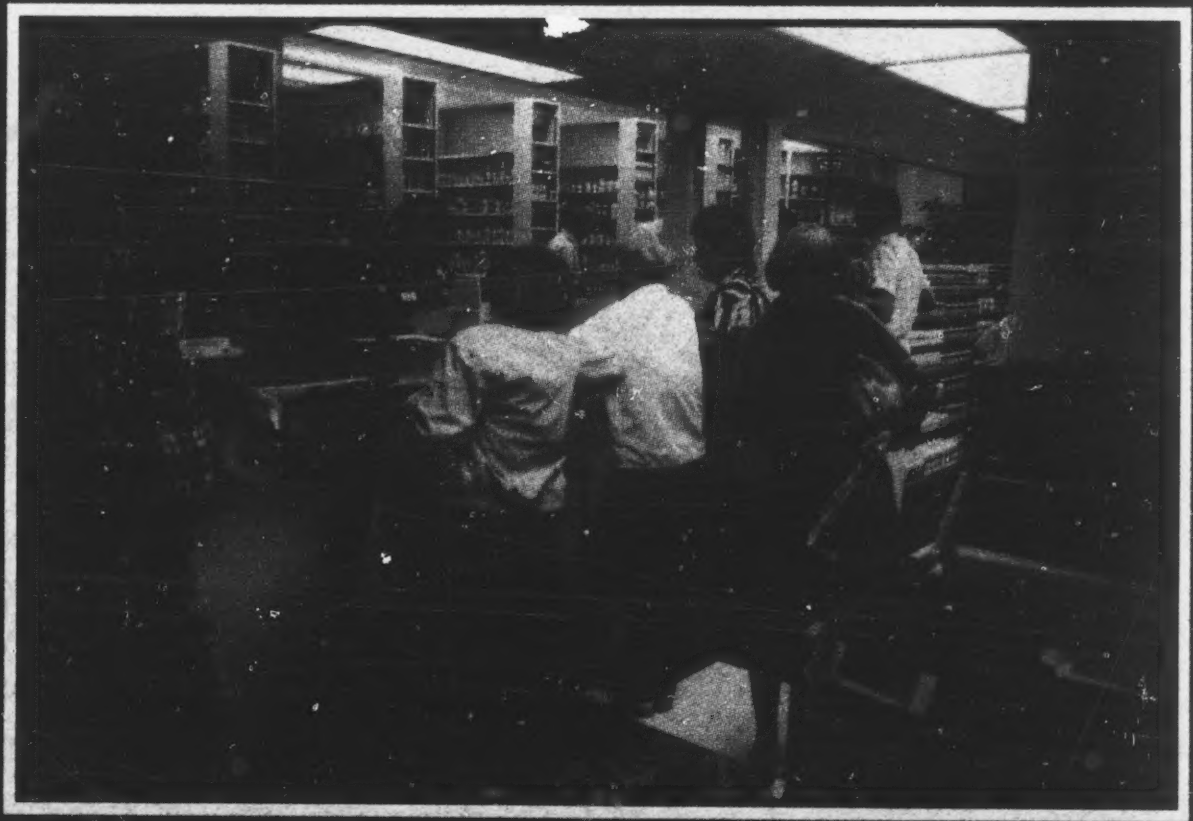
Source: *Drug Store News* survey

DRUG STORE NEWS®

INSIDE PHARMACY®

Vol. 3/No. 4 **Serving pharmacists at chains, wholesalers and high-volume independents.** Published by Lebhar-Friedman Inc./April 25, 1988

ANNUAL REPORT OF RETAIL PHARMACY



IP 1

1988 ANNUAL REPORT OF RETAIL PHARMACY

Pharmacy gets back to the basics

Chains and independents alike found that profit opportunities resided in core categories, and in providing a personal touch

Editor's note: Annual sales figures for 1987 may not portray 1987 as the best year the pharmacy business has had, but for the profession overall it was a good year.

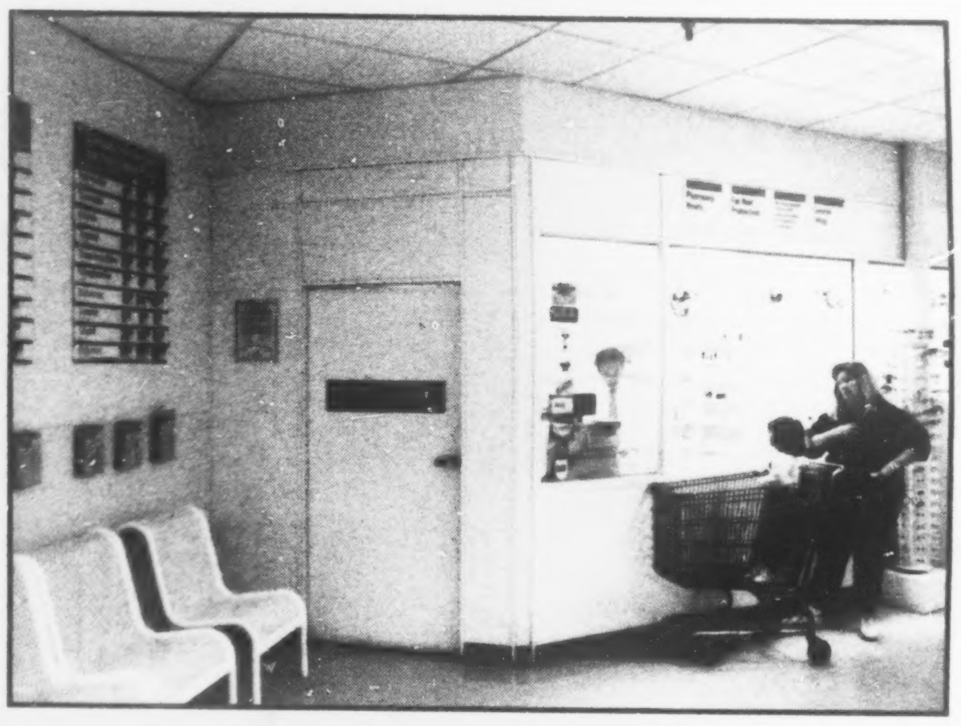
Chain and independent pharmacy owners returned to promoting their core business, the most notable part being the prescription department. Computer technology and encouragement from management brought more pharmacists from behind their counters to counsel patients on prescription and OTC medications.

With this renewed flurry of professional activity in the marketplace, it is only fitting that Inside Pharmacy *launch its Annual Report of Retail Pharmacy.*

Although pharmacists enjoyed an enhanced professional image in 1987, the year was not without problems. Exclusive third-party contracts took a toll on the bottom line, especially for the more vulnerable independents.

Pharmacists also saw the spread of a new breed of competition from mail order pharmacies and dispensing physicians. At the same time, nontraditional pharmacy competitors like supermarkets, combos, and discount stores cut a larger slice of the prescription and OTC pie.

We hope that our Annual Report of Retail Pharmacy not only offers a review of these events, but also gives some insights on to what to expect for pharmacy in the future.



Competing West Coast operations, such as Longs (above left), Vons (top), and Thrifty (left) have step-down counters for consultation. For more photographic examples of consultation strategies, see page IP24.

Chain and independent drug store retailers took a giant step back to basics last year with a strong emphasis on pharmacist-patient consultation and aggressive marketing of their prescription departments. Although 1987 was somewhat disappointing for retail pharmacies financially, with only modest gains in prescription sales, professionally it was a rewarding year.

A heavy concentration of third-party prescription business, with its emphasis on substitution of lower-priced generics, kept dollar sales of prescriptions at chains and independents lower than expected. The retailers scored a somewhat disappointing, but still respectable, 8 percent gain in prescription dollars, and saw an inflationary increase in the average prescription price of just over one dollar to $14.90.

Heavy competition from mail order pharmacies and non-traditional drug outlets that include supermarkets, combo stores, and discount operations, took its toll in bottom line figures. The number of prescriptions filled in 1987 remained relatively flat, climbing by just 1.3 percent. This, combined with a 2 percent gain in the number of stores, caused a 1 percent drop in the number of prescriptions filled per store.

The chain segment of the market, which currently enjoys a greater share of third-party prescription plan business, posted a 7 percent increase in number of prescriptions filled, and an 11 percent gain in dollar prescription sales. The average price of a prescription at a typical chain store rose 3.6 percent to $13.38.

But despite a relatively flat year for prescription performance, pharmacists heightened their professional image by spending more time consulting with patients.

A nationwide survey of 800 pharmacists conducted by the American Pharmaceutical Association showed that 87 percent of the pharmacists in the poll were involved in some type of patient counseling during the course of an average week.

Among the most frequently counseled subjects were vitamins, hypertension, diabetes, birth control, sexually transmitted diseases, AIDS, and the selection of condoms.

As more pharmacists came from behind the prescription counter to counsel patients, consumers gave them an unmistakable new vote of confidence. A 1987 SRI Gallup Poll ranked pharmacists number one in the eyes of the public in terms of "honesty and ethical standards."

All this activity was apparently having an effect at the high school level as well. According to a report by the American Association of Colleges of Pharmacy (AACP), enrollment in U.S. pharmacy schools increased by 3.8 percent in 1987.

Helping to add dollars to prescription department coffers were a bevy of new drugs to treat everything from AIDS to leprosy.

One of the more controversial drugs to make its way into the marketplace in 1987 was Burroughs-Wellcome's AIDS drug Retrovir (zidovudine),

Continued on page IP 20

Top 10 products of 1987's U.S. retail prescription sales

(at acquisition cost)

1. **Zantac** (Glaxo)
2. **Tagamet** (SKF)
3. **Cardizem** (Marion)
4. **Naprosyn** (Syntex)
5. **Tenormin** (ICI Pharma)
6. **Dyazide** (SKF)
7. **Xanax** (Upjohn)
8. **Procardia** (Pfizer)
9. **Capoten** (Squibb)
10. **Ceclor** (Lilly)

Source: Pharmaceutical Data Services

Prescription department summary

All drug stores

	1986	1987	% change
Consumer Sales ($ millions)	$21,693	$23,454	+8.1%
Scripts (millions)	1,554	1,574	+1.3
Average Rx price	13.93	$14.90	+7.0
Scripts/store/year	29,432	29,173	−0.9
Stores	52,800	53,963	+2.2

Chain drug store

	1986	1987	% change
Consumer sales ($ millions)	$8,474	$9,431	+11.3%
Scripts (millions)	659	705	+ 7.1
Average Rx price	12.89	13.38	+ 3.6
Scripts/store/year	33,948	33,630	− 0.9
Stores	19,412	20,977	+ 8.1

Source: *Drug Store News Survey*

MD dispensing, mail order issues just won't fade away

Top 10 pharmaceutical companies based on U. S. retail prescription sales

(at acquisition cost)

1. MSD
2. SKF
3. Upjohn
4. Glaxo
5. Pfizer
6. Wyeth
7. Lilly
8. Syntex
9. Marion
10. Ayerst

Source: Pharmaceutical Data Services

NEW YORK — While the cash registers were busily ringing prescription sales in 1987, pharmacists still wrestled with some old issues that continue to have a profound effect on how retail pharmacy is being practiced in today's marketplace.

Two of the strongest and potentially damaging competitive issues retail pharmacists faced last year were the escalation of physician dispensing and the spread of mail order pharmacies nationwide.

One study by Almed Focus indicates an upsurge in physician dispensing. The study shows that approximately 8 percent of doctors are already dispensing prescription drugs for payment, and predictions are that as many as one in six primary care physicians could be dispensing drugs this year. A majority of those physicians surveyed who are currently dispensing drugs from their offices said that they are not dispensing more than 55 percent of the drugs they prescribe.

Some states have already taken steps to keep dispensing physicians in line by mandating that they follow pharmacy board regulations in that state. In North Carolina, for example, an amendment to the state's Pharmacy Practice Act requires physicians who want to dispense to obtain a $200 permit. Failure to comply with the various record-keeping requirements of the law could result in a revocation of the physician's license to practice.

While chances of getting a national law regulating physician dispensing look slim, such a bill, sponsored by Rep. Ron Wyden (D-Ore.), has received support from the National Council of Senior Citizens. The organization called physician dispensing "a clear conflict of interest" and "an important medical problem" for older Americans.

And earlier this year, pharmacists received another vote of confidence from consumers on the physician dispensing issue. A survey conducted by the Roper Organization for the National Association of Retail Druggists (NARD) showed that a ratio of four to one of the nation's consumers "prefer to buy medications at a pharmacy rather than at a doctor's office."

Mail order

While physician dispensing appears to be rooted primarily in rural areas not served adequately by retail pharmacies, mail order pharmacy is beginning to spread into all areas of the retail pharmacy community.

A new report by the management consulting firm of Arthur D. Little predicts that mail order drug sales will increase 30 percent a year through 1991, to reach $2.8 billion or 10 percent of the total U.S. pharmaceutical market. The number of prescriptions dispensed by these facilities is staggering.

In 1986 alone, the Veterans Administration and the American Association of Retired Persons dispensed some 28 million prescriptions, almost 75 percent of the total market. At Baxter Travenol's mail order Prescription Service Division, it is not uncommon to see thousands of prescriptions being packaged for mail delivery.

The report said that as mail order continues to spread its roots, it could have a devastating effect on retail pharmacy. It is predicted that by 1995, drug stores will only account for 60 percent of the U.S. drug dispensing market, down from 85 percent in 1975 and 80 percent in 1985.

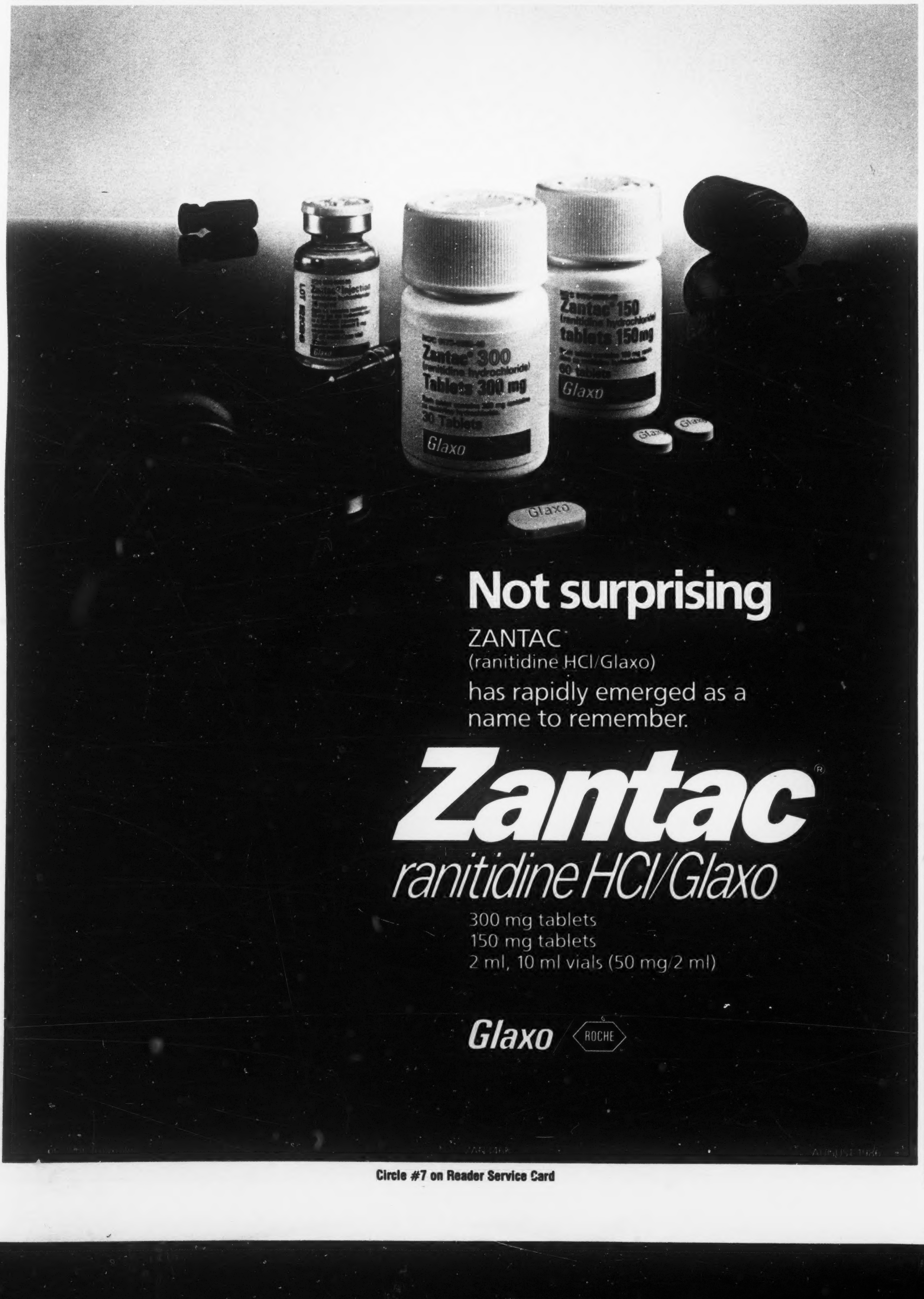
Although the mail order industry is basically controlled by only a handful of providers, including two major chains, its competitive bite has already been felt by many. Making it especially difficult for retail pharmacies to compete is the fact that much of the mail order business is being driven by third-party benefit programs.

One of the latest contracts to be landed by mail order providers is one with Blue Cross/Blue Shield that offers federal employees and retirees first-dollar coverage for mail-order prescriptions. Prescriptions obtained from retail drug stores are covered only after a $250 deductible is satisfied.

The cry from the National Association of Retail Druggists (NARD), a staunch opponent of mail order pharmacy, is that consumers are being denied freedom of choice. Despite NARD's efforts to thwart mail order from encroaching on walk-in retail pharmacy operations, mail order providers are doing a land office business.

Martin Wygod, ceo of Medco Containment Services, one of the top three prescription mail order companies in the country, reports that his company's sales increased from $100 million in 1981 to $750 million in 1986. He estimates that mail service sales will increase 30 percent per year through 1991, reaching $2.8 billion (or 10 percent) of the total domestic prescription drug market.

Thrift Drug, operator of Express Pharmacy Services, operates four facilities and filled over 1.5 million prescriptions in 1986, and projects 2.2 million this year.



Circle #7 on Reader Service Card

'88: AZT rushed to market; technology makes inroads

Continued from page IP17

more commonly referred to as AZT.

Because of the lethal nature of the disease it treats, AZT made it through FDA testing to pharmacists' prescription counters faster than any other prescription drug in history. In effect, final clinical trials were being done in the retail marketplace, a most unusual event for the conservative U.S. pharmaceutical industry.

Last year was also a good year for Merck Sharpe & Dohme. Three new successful entries (Pepcid oral suspension, Vasoretic, and Mevacor) helped it become the number one pharmaceutical company in 1987 based on U.S. retail prescription sales at acquisition cost, according to Pharmaceutical Data Services, a Phoenix-based marketing company.

PDS also reported that Mevacor, used to reduce cholesterol, already has claimed a 35 percent share of new prescriptions in that therapeutic category.

Creative marketing was the buzzword last year for some pharmaceutical companies. Merrell Dow continued to air an advertising campaign for its non-sedating antihistamine, Seldane. G.D. Searle unveiled a unique program that offered consumers a full refund on any of the company's prescription drug products that do not achieve "the desired therapeutic benefits."

Technology important too

As more pharmacists began to feel the crunch of third-party prescriptions in their stores last year, they turned to computers to cope with the extra billing and record keeping necessary to compete in the third-party marketplace.

Towards the end of last year, a study of computer technology in retail pharmacy that appeared in *Drug Store News* uncovered that approximately one-quarter of the 50 chains surveyed reported having their prescription departments equipped with computer systems, and 68 percent said they would have all their stores up and running by this year.

The computers have been a boon to retailers for a number of reasons. Some of the most important include: current price updating, filling and reconciling third-party prescription forms, tracking patient profiles, and allowing more time for the pharmacist to consult with the patient.

One of the year's major trends was the chains' use of their computer systems as marketing tools as well as a device to increase productivity.

According to the survey, 87 percent of the chains polled said they were promoting their pharmacy computer system through newspapers, circulars, and radio and television. Walgreens ran radio spots explaining that its system was chainwide, and how prescriptions filled in one store could be filled in any Walgreens store nationwide.

CVS's extensive advertising campaign explained how its computer could catch drug interactions.

Does the future lie in the hands of consumers?

NEW YORK — What can retail pharmacy expect in the future? While all indications point to a continuation of the competitive spirit that has gripped the profession over the past several years, many industry observers believe that the future will be in the hands of the consumer.

As third-party contracts with major corporations continue to drive the number and dollars of prescriptions being filled, ultimately it will be the consumer who must put up with busy pharmacies who are contracted to fill their prescriptions, or have prescriptions filled only by mail.

As the costs of innovative new drugs continue to rise because of heavy R&D, cost containment will become an even greater priority for prescription benefit planners. While the generic-versus-branded battles will continue to be fought in the retail pharmacy marketplace, branded pharmaceutical companies may be facing their most critical issue yet—therapeutic substitution, or as some prefer to call it, therapeutic interchange.

Substituting from a formulary based on therapeutic category, similar to what is being done in hospitals around the country, could have disastrous effects on research-intensive pharmaceutical manufacturers. Efforts to pass legislation that will stop or curtail therapeutic substitution is already underway in several states.

The increased competition will also breed new players in the retail pharmacy marketplace. Plans are already afoot by at least two cable TV companies, Home Shopping Network and Cable Value Network, to provide at-home TV shopping of prescription drugs and other health-related products.

And finally, this year will probably see the passage of a new Medicare catastrophic drug benefit that will enable Medicare-eligible individuals to get prescriptions filled for a nominal co-payment once a deductible has been met.

Polygraph testing, Medicare confront Congress in '88

WASHINGTON — Congress is closing in on a series of bills of concern to pharmacists, including legislation to curb drug diversion, permit polygraph testing of pharmacy counter personnel, and create a massive new Medicare outpatient drug program.

As passed by the House, the new Federal polygraph bill prohibits lie detector testing of all non-governmental employees except those with access to controlled substances.

That exception was adopted over the objections of the American Pharmaceutical Association (APhA) and other pharmacists groups, which argued that pharmacy employees deserve the same level of protection afforded to other private sector workers.

As an accommodation to the National Association of Chain Drug Stores (NACDS), the National Association of Retail Druggists (NARD), and other industry groups, however, the House agreed to exempt pharmacists and other prescription department personnel.

According to drug store industry officials, lie detector testing of employees and job applicants is an essential tool for screening out drug abusers from positions of trust within pharmacies.

Both proposals offer incentives to encourage pharmacists to substitute cheaper generic drugs.

Companion legislation passed by the Senate, however, does not contain a similar exemption for pharmacy personnel. Instead, that legislation would prohibit only pre-employment polygraph screening of job seekers, while permitting the use of lie detectors to investigate specific incidents of suspected employee dishonesty.

Whether or not pharmacists and other pharmacy department workers will be exempted from the final bill will depend on the outcome of a special House-Senate conference responsible for ironing out the differences between the two versions.

Significantly, however, the bill's chief Senate sponsor, Sen. Edward Kennedy (D-Mass.) has already agreed to accept the House-passed controlled substance exemption in conference [see accompanying story], and drug store industry lobbyists are convinced that as a result pharmacists will not be covered by the final version.

Meanwhile, a separate House-Senate conference committee was, at press time, resolving differences in the Medicare "catastrophic coverage" bills passed late last year by the two chambers. Both the House and Senate versions would create a new Medicare outpatient drug program offering prescription benefits to millions of senior citizens.

Both bills impose a stiff, 20 percent co-payment requirement, both require a high annual deductible ($500 in the House measure and $600 in the Senate version), and both require pharmacists to perform a variety of "administrative" chores, including keeping track of each Medicare patient's annual deductible.

In return, the House proposal would pay pharmacists a $4.50 "administrative fee" per prescription which would be "indexed" or adjusted annually for inflation, plus the drug's average wholesale price (AWP) which would be determined every six months.

In contrast, the Senate bill calls for an administrative fee of $4.50 per prescription for participating Medicaid pharmacies ($3.50 for non-participants) plus the AWP (which would be calculated once annually). Like the House version, the Senate measure provides for indexing the administrative fee to adjust for inflation.

Both proposals offer incentives to encourage pharmacists to substitute cheaper generic drugs. Under the Senate bill, multisource drugs would be reimbursed at 150 percent of the AWP for the lowest-priced version, while the House bill would pay 50 percent of the AWP for the brand name "reference product."

Although drug store industry groups such as NARD and NACDS have endorsed the proposals to establish a new Medicare drug program, pharmaceutical manufacturers are waging an aggressive lobbying campaign to defeat the House version in conference.

Joining with groups such as the Pharmaceutical Manufacturers Association in support of the less pro-generic Senate bill are industry-supported organizations representing physicians.

In a letter soliciting support from senior citizens for the Senate version, officials at the Washington, D.C.-based Physician's Committee for Quality Medical Care charged that the House bill would "lead to higher premiums for nearly all participants in Part B of Medicare" while providing benefits to only one in seven elderly Americans.

"The House bill would also allow government to deny payment for some medications—*even if your doctor decides they're best for you,*" Committee President Francis Davis, MD, told seniors. "The Senate bill, however, pro-

Continued on page IP22

Anatomy of how the Senate cut a deal on polygraph legislation

WASHINGTON — During the debate over pending polygraph legislation, Sen. Wyche Fowler (D-Ga.) was prepared to introduce an amendment exempting pharmacists and other prescription department employees from the nationwide ban on workplace lie detector tesing. But an agreement with Senate Labor Committee Chairman Edward Kennedy (D-Mass.), the bill's chief sponsor, made Fowler's amendment unnecessary.

Here's the deal that was cut on the Senate floor:

Sen. Fowler: "We need the continued use of the polygraph for pre-employment screening of those who handle controlled substances. The House passed by a very wide margin such an exemption to the Williams bill—by a vote of 313 to 165. Would the Senator from Massachusetts be willing to accept that language in the conference between the two bodies on this legislation?"

Sen. Kennedy: "Senator [Orrin] Hatch (R-Utah) and I have discussed this, we have discussed this with the other Senate conferees, discussed this with the sponsors of the House amendment, and discussed this with the principal sponsors and likely House conferees. We will be willing to agree to recede to the House conferees' insistence on the amendment dealing with the employees who handle controlled substances."

Mr. Fowler: "I thank the Senator from Massachusetts, and will not offer my amendment."

FDA's approval process still a long row to hoe

WASHINGTON — Despite continuing efforts by the Food and Drug Administration to shave the average time required for approval of new drugs, the process from laboratory to pharmacy shelf can still take well over a decade.

According to a recent FDA study on new drug development in the United States, "important medical advances" in 1985 took nearly two years less from completion of laboratory testing to final FDA approval than drugs processed in the early 1980s. Nevertheless, in an analysis of the time required for research, development and approval, the FDA study showed that the process from initial synthesis to approval of new drug application can be a long one. For example, combined industry research and development and FDA testing and approval required an average of about 100 months.

Specifically, the report found that time required for preclinical research and development (initial synthesis and animal testing) ranged from one to three years, with an average of 18 months. Clinical testing required from two to 10 years, with an average of five years. Finally, FDA review by the agency required from two months to seven years with an average of two years.

According to FDA Commissioner Frank E. Young, the agency is committed to getting safe and effective drugs to the marketplace in the shortest possible time. However, the road to "safe and effective" new drugs is a long one.

"The drug development process can be viewed as a series of progressive steps, each designed to highlight drugs of real promise and to weed out those that could be harmful or simply won't work," Young said.

Initially, pharmaceutical firms conduct thousands of laboratory and animal tests, and with FDA approval proceed to human ("clinical") testing. According to Texas A&M economist Steven Wiggins, manufacturers spend an average of $65 million to develop a new drug.

Before an investigational drug can proceed to clinical trials, the FDA must review results of the lab and animal testing, information on testing of the product in other countries and plans for the human testing. Only after the IND receives this initial FDA go-ahead can clinical tests begin.

"Normally, clinical trials are carried out in three phases involving progressively larger numbers of people," explained Office of Health Affairs staffer Ken Flieger.

Phase One trials focus on "learning more about the safety of the drug." The tests usually involve less than 100 healthy volunteers.

Phase Two uses a few hundred patients "and is designed to show whether the drug is effective in treating the disease or condition for which it's intended."

Phase Three clinical trials often involve several thousand patients "who have the condition against which the drug is effective." This research seeks information on "less common and even rare side effects and adverse reactions."

Congress legislation curbing drug diversion pending

Continued from page IP20

hibits government from . . . denying reimbursement for specific drugs prescribed by your doctor, as long as the category of drugs is covered."

Still another hot issue on Capitol Hill affecting pharmacists is pending legislation to curb drug diversion. That bill was introduced by House Oversight and Investigations Subcommittee Chairman John Dingell (D-Mich.) following more than a year of Congressional hearings and investigations into prescription drug counterfeiting and diversion.

The measure, which has already passed the House, seeks to regulate drug diversion by a variety of provisions, including:

- New Federal restrictions on pharmaceutical industry "sampling"—a key source of diverted drugs, according to experts who testified before Dingell's subcommittee;
- Nationwide licensing standards and record-keeping requirements for drug wholesalers;
- An outright ban on reimportation of U.S.-made pharmaceuticals—another source that is frequently tapped by drug diverters; and
- Prohibitions against the resale of drugs purchased by hospitals, as well as against the sale of prescription samples.

Although the Senate had not yet voted on companion legislation at press time, a report issued by Finance Committee Chairman Lloyd Bentsen (D-Texas) urges prompt enactment of the measure. Among other things, that report concludes that:

- "A significant volume of pharmaceuticals is being reimported to the United States as American Goods Returned. These goods present a health and safety risk to American consumers because they may have become subpotent or adulterated during foreign handling and shipping;"
- "The distribution of drug samples to patients by practitioners . . . is a useful and valuable medical tool," but legislation is needed "to retain the positive benefits of samples while providing for improved storage and handling, greater accountability, and strong penalties for unauthorized distribution;" and
- "The resale of prescription drugs by health care entities to persons outside the corporate umbrella of the institution—such as a wholesaler—helps fuel the diversion market . . ."

The legislation drawing the most widespread support from within the drug store industry is Rep. Ron Wyden's (D-Ore.) proposal to restrict physician dispensing.

Pharmacy concern over competition from dispensing physicians has been on the rise in recent years as a result of a sharp upsurge in the number of physicians selling prescription drugs directly to patients.

In addition to short-circuiting the traditional "checks and balances" of the physician-pharmacist relationship, physician dispensing also constitutes an inherent conflict of interest for doctors, pharmacy groups maintain.

Additionally, organizations such as APhA, NARD, and NACDS maintain that physicians who dispense drugs for profit charge patients far more than they would pay at retail pharmacies.

Concern over physician drug dispensing isn't limited to pharmacy groups, however. Recently a number of national consumer organizations, including the Consumer Federation of America and the National Consumers League, joined with APhA, NACDS, NARD, and the National Pharmaceutical Association to form a new anti-physician dispensing group called the Coalition for Consumer Prescription Protections.

According to the coalition, the objective of physician dispensing is to enrich doctors, not save consumers money.

Noting that drug repackagers "advertise to physicians that they can increase their annual incomes by $30,000 to $60,000 a year," the group is warning consumers about "the potential for overcharging" by dispensing physicians.

"Recent data on 50 prescription drugs sold. . . reveals that repackagers' suggested retail prices for the drug sold in doctors' offices are an average of 13.2 percent higher than the average retail prices for the same drugs sold in pharmacies," the coalition maintained.

New Prescriptions by selected categories, U.S. retail market, February 1988 vs. February 1987
(Amounts in thousands)

Category	Feb. '88	Feb. '87	% change
Amoxicillin	4,249	3,540	20.0
Antihistimines	759	697	8.9
Broad Spectrum Penicillins	5,162	4,440	16.3
Bronchodilators	1,637	1,468	11.5
Cephalosporin	2,514	2,029	23.9
Cough/Cold	5,398	4,778	13.0
Erythromycins	3,244	2,952	9.9
Pen V + VK	1,965	1,655	18.7
Penicillin	2,113	1,770	19.4
Trimethoprim	1,423	1,321	7.7

Source: Pharmaceutical Data Services Inc.

How provisions of catastrophic coverage bills compare

WASHINGTON — Here's how the drug provisions of the pending Medicare catastrophic coverage bills stack up:

Effective Date:
House: Jan. 1, 1989;
Senate: Jan. 1, 1990.

Drugs Covered:
House:All prescription drugs plus insulin and immunosuppressive therapy within one year of the transplant.
Senate:Phased-in drug coverage:
1990: IV antibiotics, chemotherapeutic agents, Immunosuppressive therapy.
1991 and 1992: Same as above, plus cardiovasculars and diuretics.
1993:All prescription drugs.

Deductible:
House: 1989, $500, and indexed thereafter.
Senate: 1990, $600, and indexed thereafter.

Co-payment:
House: 20 percent after the deductible has been met.
Senate: same.

Administrative fee:
House: $4.50 in 1989, and indexed thereafter.
Senate: $4.50 for participating and $3.50 for non-participating pharmacies in 1990, and indexed thereafter.

Non-multisource drugs and restrictive prescriptions:
House: AWP, determined every 6 months.
Senate: AWP, determined every 12 months.

Multisource drugs:
House: 50 percent of AWP of referenced product indexed every 6 months, (FDA's Orange Book).
Senate: 150 percent of lowest AWP indexed or AWP increase, whichever is lowest (FDA's Orange Book).

Prevention of abuse:
House: No payment for prescribed or dispensed drugs in excessive quantities; Drug Utilization Review.
Senate: Same, plus SEC establishes drug standards for prescribing, dispensing and utilization.

Restrictive prescriptions:
House: Physician hand writes appropriate phrase (e.g. brand medically necessary).
Senate: Same, plus telephone orders are handled.

Participating pharmacy agrees:
House: Not to refuse to dispense covered stocked drug; not to charge Medicare more than general public; keep patient records (including expenses incurred by patient for covered drugs dispensed); assist customer to see if deductible is met; provide copy of records upon same request of patient; counsel or offer to provide information on appropriate use of drug to be dispensed and any drug interactions; submit all payment requests electronically beginning Jan. 1, 1992 (there is an undue hardship exception); and be subjected to periodic audits.
Senate: Same as the House bill, except that all payment requests will be submitted electronically beginning Jan. 1, 1991.

Dispensing limitations:
House: Maximum of 60 days supply.
Senate: Maximum of 90 days supply for chronic maintenance drugs, 60 days for all others.

Studies by Dept. of Health and Human Services:
House: Numerous. Examples include comparison of AC and AWP; overhead costs of pharmacies; alternative payment methodologies; potential for induces demand resulting form Medicare drug coverage.
Senate: Same.

Funding:
House: Monthly premium, indexed with a cap; plus a supplemental premium based on income.
Senate: Same (budget neutral).

Self-medication trend accelerates OTC sales

A marked increase in consumer health interest is playing a greater role in the OTC market. As consumers hungrily seek out more information about health issues and become more sophisticated consumers, journal studies impacting on health are quickly finding their way to consumer publications.

This trend, a combination of skyrocketing health care costs, and a decreasing willingness by third party insurers to pick up equal share of their members' health care tabs, is creating a market in which consumers self-medicate more often.

Market experts see no signs that these trends are abating. If anything, they're expected to accelerate. For retailers, the trends translate into more OTC sales.

Journal studies played a part

Journal studies reported in consumer publications, and fueled by manufacturer advertisements, impacted the sale of products in at least two OTC categories in 1987.

Fish oil supplements gained popularity as a result of a study indicating the supplements could reduce cholesterol levels. That popularity subsided when subsequent studies questioned its benefits, and raised the possibility of risks associated with taking too much of the supplement.

Then came studies indicating that a daily regimen of aspirin could reduce the risk of second heart attack, and later, that aspirin was effective in preventing first heart attacks. These reports fueled the demand for aspirin.

OTC cough/cold products continued to hold the top position among the top 100 OTC categories, according to a 1987 *Drug Store News* study of those markets. That cough/ cold products sell well year-round is not surprising. The average consumer gets one to three colds per year. At any given time one out of every seven consumers will be congested.

Those statistics support *Drug Store News'* finding that more than a quarter of the items on the top 100 OTC list were cough/cold preparations. J. Richard Wuest, professor of clinical pharmacy at the University of Cincinnati estimates that 60 percent of the OTC dollar spent in retail pharmacies is spent on cough/ cold products.

Strong year-round sales are due to more than summer colds. Cough/cold and allergy products have high crossover use. Consumers are using products designed to treat allergies to relieve the stuffiness and runny nose symptoms common to colds and flus. Cough/cold products are also being used to treat allergies.

Rx to OTC switches, generally successful in any OTC category, account for a large portion of successful cough /cold products. FDA Commissioner Frank Young holds that almost all successful OTC products in the last 10 years were Rx to OTC switches.

Consumers view OTC products that once had prescription-only status as more potent than other products. The products command fierce brand loyalty. And as more patients opt to self-medicate rather than incur expensive visits to physicians for cold, flu and allergy symptoms, the sale of these formerly prescription-only drugs can only grow.

1987 OTC/proprietaries department highlights at chain drug stores

Chain drug OTC/proprietaries sales	$4,881,650,000
1987 percentage increase	9.2%
Percentage of total chain drug sales	14.91%
Typical gross margins	30%-35%
Industry profit yield from OTC/ proprietaries last year	$1,465,000,000 to $1,710,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

1987 proprietaries department productivity at chain drug stores

Category	1987 Total sales (add 000)	% of increase	% of dept. sales
Analgesics	$565,987	16.9%	11.59%
Vitamins/nutritionals	483,569	7.7	9.91
Cough/cold (Tabs/caps/1 oz.)	482,370	15.6	9.88
Cough/cold (liquids)	314,608	12.7	6.44
Laxatives	281,457	2.9	5.77
First aid products	263,391	5.1	5.40
Antacids	262,967	4.6	5.39
Eye care/lens care	245,919	17.3	5.04
Feminine hygiene	240,915	7.3	4.94
Family planning	230,194	14.8	4.72
Diet aids	115,800	5.6	2.37
Antidiarrheal/anti-nausea	77,328	3.7	1.58
Acne preparations	73,720	2.1	1.51
Sleeping aids	31,652	1.5	0.65
Wets & dries	29,595	0.6	0.61
Asthma inhalers/tabs/liquids	15,109	1.0	0.31
Dental care	489,339	9.2	10.02
Baby needs	384,464	4.4	7.88
Footcare products	178,830	3.7	3.66
Home health care	74,799	7.7	1.53
Miscellaneous	39,639	5.4	0.81
Total	$4,881,650		100

Source: *Drug Store News* survey

Cough/cold products took highest honors among the top 100 OTC categories, according to a recent *Drug Store News* study. The average consumer gets one to three colds per year.

Diagnostic kit sales expected to grow by 30%

Chain buyers and industry forecasters alike see sales of at-home diagnostic kits increasing in 1988.

The buyers expect sales of the kits to grow by more than 30 percent, according to a *Drug Store News* survey. And Arthur D. Little, a Massachusetts consulting and research firm, projects that the kits will reach $610 million in sales by 1990.

Pregnancy and ovulation tests have driven the market for the category and continue to sell well. But it is the diabetic products, from the expensive monitors that measure blood glucose to the formulated strips for blood smears designed for use with the monitors, that are the hot and repeat purchase items for retailers.

Retailers know that patients often need help in choosing the right equipment. Most diagnostic kits are located close to the pharmacist to allow pharmacist consultation and recommendations.

Industry forecasters see more at-home diagnostic kits in the future. FDA Commissioner Frank Young believes that self-test kits will appear on the market for strep throat and urinary tract infections. Kits utilizing monoclonal antibody technology, he feels, will make the tests reliable.

Although the tests will not replace more sophisticated hospital tests, some industry watchers feel that they will find a niche as initial screens.

Frank Samuel, president of the Health Industry Manufacturers Association, feels that the consumer movement coupled with improvements in education has created an information revolution, ripening the market for more diagnostic tests.

For the millions of people who routinely take medicine for hypertension, seizure disorders, asthma, mood disorders, and other conditions, Samuel sees more advanced home diagnostic kits on the horizon which can monitor levels of medication under the supervision of a physician.

ACU-TEST
in-home pregnancy test
BEST BUY
abdec teens with iron
FREE!

At-home diagnostic testing kits continue to grow in popularity as technology advances and prices continue to drop.

BEST AVAILABLE COPY

Aspirin study builds excitement in analgesics

While the popularity of analgesics in general remained stable in 1987, it was aspirin's turn to drive the category this year.

Journal studies which showed that aspirin use prevented a second heart attack, or unstable angina, created new excitement in the category early in the year. A later study indicating that an aspirin every other day could significantly reduce the risk of heart attack in people with no previous heart disease, added fuel to the fire.

Advertising claims

Manufacturers were quick to jump on the new claims—too quick as far as the FDA was concerned. Although he has allowed aspirin labeling that relates to the reduced risk of second heart attack and unstable angina claim, Commissioner Frank Young wrote to manufacturers, recently to request that they drop advertising claims pertaining to the results of the more recent studies.

Rep. Henry Waxman, chairman of the Health Subcommittee, fired charges at manufacturers promoting the claims, calling such ads a "disservice to consumers and a public health hazard," since they "fail to fully and fairly inform the public who should not take aspirin."

The furor has not affected the sale of aspirin. At least one product is being marketed in a calendar pack to make daily aspirin taking easier. Two other manufacturers have introduced low-dose aspirin for patients whose physicians recommend less of the medication.

OTC analgesics sales received a boost on reports that aspirin could reduce the risk of a second heart attack and may be effective in preventing a first heart attack as well.

The fuss being made about aspirin did not drown out the sale of non-aspirin products. Fueled by introduction of products in caplet form, ibuprofens continued to perform well. The sale of ibuprofen-based products grew 54 percent in 1987, according to a study by Pipeline Research, a marketing research company.

Acetaminophens held their place in the category. Sales of grape and fruit-flavored chewable products for children were popular products in the category.

Overall, the analgesic category remained strong and stable, accounting for 23 percent of the places on *Drug Store News's* top 100 OTC products in 1987.

Lens products hot

Greater consumer awareness and concern played a part in increasing sales of lens products this year. Reacting to publicity about corneal ulcers and infections due to improper lens use and maintenance, consumers increased their compliance to recommended eye care regimens.

For consumers, better compliance meant removing lenses more often and cleaning lenses more frequently. For retailers, better compliance meant higher sales.

Innovation in lens care

Innovation in lens care also contributed to the growth of the category. Systems that use hydrogen peroxide gained greater market share.

A Barnes-Hind 12-month study showed that the number of doctors recommending the systems increased by 70 percent last year. Doctors are also recommending procedures that either combine or speed up the lens cleansing process.

Price reductions also figured in building sales of lens care products. Manufacturers slashed prices on saline solutions, and buyers felt that the price cuts reflected consumers' unwillingness to pay high prices for lens care products.

Fear of AIDS drives sales of condoms up 27%

Condoms did so well that only problem was keeping them in stock

No longer relegated to the back of the counter, condoms are being displayed prominently in the pharmacy, often in a secondary location in the feminine hygiene sections as well as near the pharmacy counter. In fact, the only problem retailers seem to be having with condoms is keeping them in stock.

Safeguard against AIDS

Endorsed as the one safeguard against contracting the deadly AIDS virus and other sexually-transmitted diseases, condoms were the fastest moving category in the family planning section. Sales for the first eight months of 1987 were up 32 percent in dollars and 27 percent in units over previous year levels, Pipeline Research reported.

The category did so well this year that many retailers had problems keeping them in stock. Demand for the product was so great that manufacturing and distribution capacity could not keep up in some instances. The problem worsened when products were recalled by the FDA for failure rates. Problems have since been corrected, but manufacturers and retailers were affected by the struggle to meet demand.

Appeal to women

Fear of the AIDS epidemic reaching the heterosexual population will continue to drive the category in 1988. Manufacturers are increasingly marketing condoms to women, who account for one in every four sales of the product. New products are currently being introduced in upscale, "designer" packages that emphasize a romantic and more feminine image.

Raley's FAMILY PLANNING
PRICE, C ARE & SAVE AT RALEY'S
Fear of the AIDS epidemic reaching the heterosexual population has catapulted a once-flat condom category to the fastest-moving category in the family planning section of drug stores.

Consumers paid a lot of attention to journal studies when purchasing vitamins and nutritional supplements in 1987. Fish oil supplements enjoyed a few moments in the sun after studies indicated they could reduce cholesterol levels. After later studies refuted the claims, sales of the supplement leveled off.

Vitamins in general held few surprises in 1987. Vitamin C and E performed well. Calcium supplements, hailed as a preventive measure against osteoporosis, continued to sell well last year. Fiber supplements, shown in studies to reduce the risk of cancer and irritable bowel syndrome, also had increased sales.

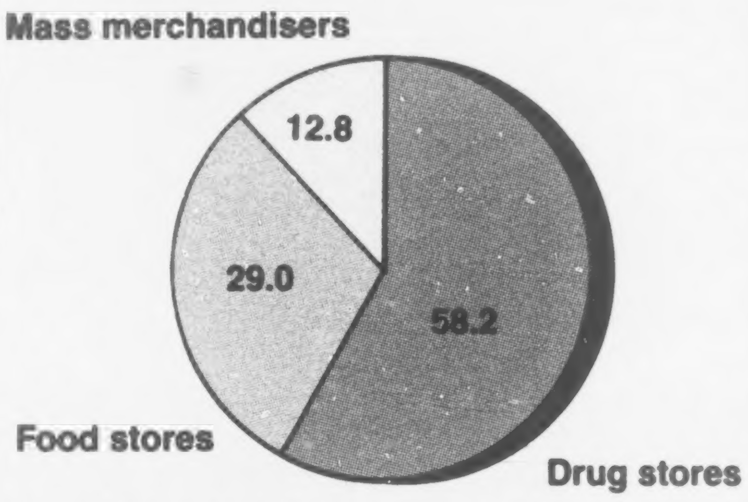
Nutritional supplements were cited by 24 percent of retail merchants as one of the hottest categories in 1987, according to a *Drug Store News* survey. The retailers surveyed expected nutritional supplements sales to increase by 14.9 percent in 1988.

Vitamins are being positioned near the pharmacy checkout area to take advantage of proximity to the pharmacist to answer consumer questions. As more studies are conducted to judge the effectiveness of nutritional supplements and vitamins and the results find their way to consumer publications, customers will undoubtedly ask more questions.

Key demographic traits determine which customers buy which OTCs

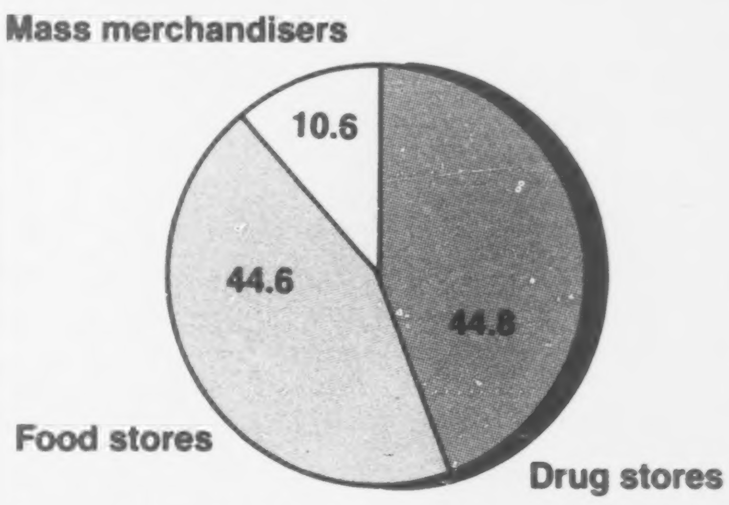
A Longs shelf display of a variety of over-the-counter products.

Market share for vitamins by channel of distribution



Source: Nielsen Marketing Research, 1987 figures.

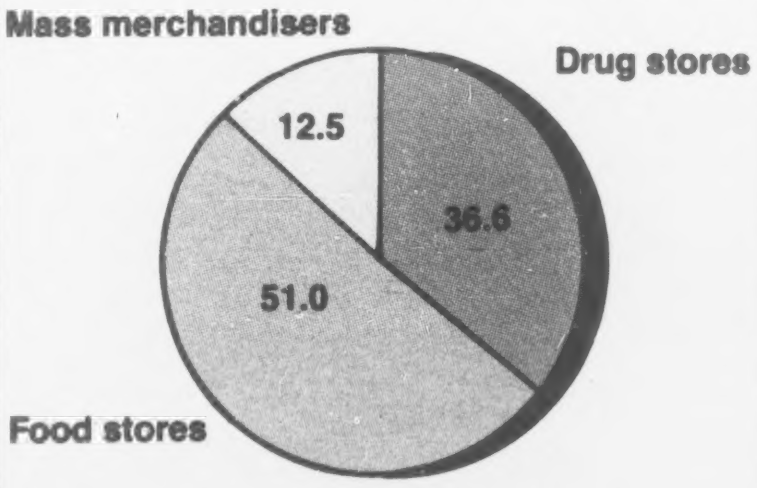
Market share for cold remedies by channel of distribution



Source: Nielsen Marketing Research, 1987 figures.

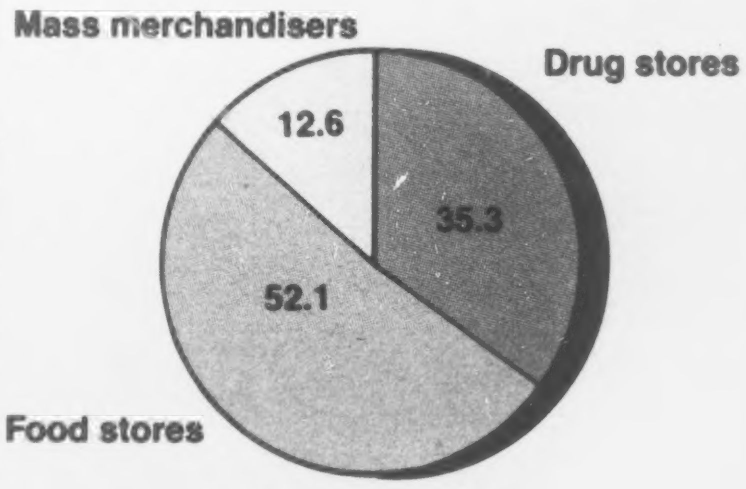
A customer peruses of shelf of OTC stomach remedies at a Drug Emporium.

Market share for sinus medications by channel of distribution



Source: Nielsen Marketing Research, 1987 figures.

Market share for analgesics by channel of distribution



Source: Nielsen Marketing Research, 1987 figures.

By Joseph Swartz

Attracting customers to shop at a particular drug store for OTC medications is an art form that utilizes such strategies as picking the right location, scouting out competition, and creative advertising campaigns.

Determining the likelihood that a customer will buy a specific OTC product once inside the store requires a closer look at some key demographics, like age and income.

Age before affluence

Most OTC categories have strong correlations between age and the likelihood of use, but the correlation between income and use is not always as clear.

As the average consumer ages, the need for medication will increase. In many cases, the less affluent will concentrate their earnings on drugs and food as they get older. With the direction to self-medication, much of the drug purchases will be in OTC products.

On the other hand, affluence can play a predictable role in some OTC expenditures. Two good examples are in the purchase of soft contact lens products and stomach antacid remedies. Only the more affluent customers are more likely to wear contact lenses, while marketing studies have shown that successful business people are the prime purchasers of antacid and antiulcer OTC products.

Perhaps the best correlation of OTC product use to the age of the purchaser is in the category of at-home pregnancy testing kits. While only 4 percent of the adult female population use these products, 70 percent are purchased by women under age 35.

Within that age group, women aged 18 to 24, the group most likely to become pregnant, are 52 percent more likely to use these products.

If you chart the likelihood of purchasing at-home pregnancy tests by income, the picture is not as clear. Customers with annual household incomes under $25,000 are more likely to buy at-home pregnancy test kits, while those with incomes ranging from $25,000 to $39,999 are less likely. Consumers with incomes ranging from $40,000 to $49,999 are again more likely to be heavy users, but those earning $50,000 are less likely.

Although no one demographic segment emerges as the most likely customer for all OTC drug products, each category has its own demographic picture. That's why retailer product selection for individual stores should be determined based on a product's most likely customer profile and the demographics of the trading area.

Age an important factor

Categories of products carried by the retailer should also relate to the ages of customers in a particular trading area. But sometimes pure marketing figures don't tell the whole story.

A good example is with OTC indigestion remedies. Latest statistics show that these products are used by 50 percent of the adult population at least once in six months. Yet a recent study conducted by Mediamark Research (MRI) finds that the likelihood of being a heavy user of indigestion and upset stomach aids decreases with income level, but increases with age.

MRI defines a heavy user of indigestion aids as someone who uses a product eight or more times in a 30-day period. Heavy users of indigestion aids and stomach remedies make up 26 percent of all customers in this OTC category, but they consume 78 percent of stomach and indigestion aid products.

Use of OTC indigestion remedies also varies with income. Consumers with annual household incomes below $35,000 are more likely to be heavy users of OTC indigestion products and stomach remedies. More specifically, people whose incomes are $25,000 to $34,999 are five percent more likely to be heavy users; those in the $15,000 to $24,999 range are 10 percent more likely to be average users; and those earning under $15,000 are 25 percent more likely to be heavy users. Conversely, those individuals with household incomes of $35,000 and above are less likely to be heavy users.

If you look at OTC stomach and indigestion products by age, all age groups under 45 are less likely than average to be heavy users. Age groups 45 and over are at least 20 percent more likely to be heavy users, and people who are 65 and over are 65 percent more than average to heavily use products that treat their indigestion and stomach aches.

Vitamin usage among American adults continues to

Continued on page IP48

Joseph Swartz is an associate editor at American Demographics.

Demographics identify customers of OTC drugs

Continued from page IP46

remain strong, making that category a major player among other OTC product categories.

In fact, 41 percent of American adults will use vitamins at least once in a six-month period. "Heavy" users of vitamin tablets, capsules, or liquids use these products at least 21 times per month, according to the MRI. Heavy users consume 44 percent of all vitamin products, but comprise only 13 percent of all vitamin consumers.

So who are consuming vitamins? Demographically, they are at least 45 years old and have an annual household income of at least $35,000. The MRI finds that the use of vitamin products increases with age and income.

Those with household incomes below $35,000 are less likely to heavily use vitamins.

The breakpoint for vitamin use comes at the age of 45. Those under 45 are less likely to be heavy users, while those older are more likely to be heavy users. The likelihood of heavy vitamin use increases from 18 to 24 year olds, who are 43 percent less likely to heavily consume vitamins, to consumers age 65 and over, who are 52 percent more likely to be heavy vitamin users.

Those with household incomes below $35,000 are less likely to heavily use vitamins, while consumers whose household incomes are above that figure are more likely to be heavy vitamin users.

Where the growth is

Once the customer has been pinpointed, it is important to retailers to zero in on those age groups that are increasing in number while others are decreasing. Approximately 75 percent of today's Americans, born between the years 1946 and 1964, comprise the largest generation in the United States, known affectionately as "baby boomers." As this generation ages, it will cause a "bulge" in the age groups it passes through. The number of births dropped each year after 1964, bottomed out in 1976, but has been increasing ever since.

According to the Census Bureau, between now and the year 2000 the number of 18 to 24 year olds will decrease by 2.2 million people, or eight percent, while 25 to 34 year olds will decrease by 7 million people or 16 percent. The 35 to 44 age group will increase by 8.4 million, or 24 percent, and the 45 to 54 age group will grow by 13 million, or 55 percent. Ranks of 55 to 64 year olds will increase by 2.2 million or 10 percent; and people age 65 and over will increase their numbers by 4.4. million, or 15 percent.

A more effective job of selling OTC products can be achieved by knowing who the customer is. This can be accomplished with in-store surveys, or overall demographic data for the store done by private data companies. Once that data is compiled, marketing companies can determine which products have the best likelihood of selling to particular retail audiences.

In today's drug store, it's not enough to know the competition's strategy in selling OTC products; it's imperative to determine the demographics of a particular marketing audience and create individual strategies to meet the demands of that marketplace.

Likelihood of being a heavy user of selected OTC products, by age and household income.

	Age	Heavy user index	Income	Heavy user index
Headache remedies and pain relievers	18-24	77	Less than $15,000	107
	25-34	83	$15,000-$24,999	104
	35-44	103	$25,000-$34,999	101
	45-54	109	$35,000-$39,999	94
	55-64	117	$40,000-$49,999	102
	65+	124	More than $50,000	91
Cold, sinus, allergy	18-24	84	Less than $15,000	88
	25-34	97	$15,000-$24,999	103
	35-44	113	$25,000-$34,999	108
	45-54	116	$35,000-$39,999	100
	55-64	106	$40,000-$49,999	115
	65+	88	More than $50,000	91
Stomach remedies	18-24	51	Less than $15,000	125
	25-34	66	$15,000-$24,999	110
	35-44	79	$25,000-$34,999	105
	45-54	120	$35,000-$39,999	84
	55-64	153	$40,000-$49,999	91
	65+	165	More than $50,000	77
Vitamins	18-24	57	Less than $15,000	72
	25-34	61	$15,000-$24,999	87
	35-44	93	$25,000-$34,999	78
	45-54	147	$35,000-$39,999	103
	55-64	123	$40,000-$49,999	108
	65+	152	More than $50,000	151
In-home pregnancy tests	18-24	152	Less than $15,000	114
	25-34	232	$15,000-$24,999	127
	35-44	69	$25,000-$34,999	94
	45-54	28	$35,000-$39,999	89
	55-64	15	$40,000-$49,999	101
	65+	32	More than $50,000	65
Cough syrups (OTC)	18-24	89	Less than $15,000	131
	25-34	104	$15,000-$24,999	114
	35-44	81	$25,000-$34,999	93
	45-54	111	$35,000-$39,999	95
	55-64	103	$40,000-$49,999	100
	65+	115	More than $50,000	67
Medicated throat remedies	18-24	117	Less than $15,000	121
	25-34	86	$15,000-$24,999	98
	35-44	77	$25,000-$34,999	111
	45-54	95	$35,000-$39,999	83
	55-64	114	$40,000-$49,999	83
	65+	122	More than $50,000	91
Blood pressure monitors*	18-24	57	Less than $15,000	63
	25-34	52	$15,000-$24,999	101
	35-44	108	$25,000-$34,999	112
	45-54	163	$35,000-$39,999	109
	55-64	182	$40,000-$49,999	129
	65+	86	More than $50,000	99
Soft contacts*	18-24	173	Less than $15,000	50
	25-34	161	$15,000-$24,999	98
	35-44	87	$25,000-$34,999	99
	45-54	66	$35,000-$39,999	81
	55-64	30	$40,000-$49,999	129
	65+	35	More than $50,000	138

*User only; all others refer to "heavy users."

Source: Mediamark Research, Spring 1987 study.

OTC firms back off from aspirin–heart attack claims

WASHINGTON — As part of an agreement with Federal regulators, the nation's over-the-counter drug manufacturers have temporarily shelved ads claiming that aspirin may reduce the risk of heart attacks.

At a meeting with top officials from both the Food and Drug Administration and the Federal Trade Commission, industry leaders agreed to discontinue newspaper and television advertising which promotes aspirin use to prevent primary heart attacks. Meanwhile, FDA Commissioner Frank Young said the agency is analyzing "full data and information" from the recent study which triggered the advertising blitz "so that appropriate professional labeling can be established. . . ."

Following publication of a study in the *New England Journal of Medicine* suggesting that regular use of aspirin plays a role in preventing primary heart attacks, several major aspirin manufacturers bombarded the market with ads promoting regular aspirin usage to decrease the risk of heart attacks. The promotions drew fire from FDA and the FTC's Bureau of Consumer Protection.

FDA officials contend that while the study "appears to be well-designed and well-conducted," a full evaluation and report is required "to take into account both the potential risks and the potential benefits associated with such aspirin use. . . ."

FDA continues to discourage claims that aspirin can aid a cardiac condition.

In the meeting with industry officials, Commissioner Young expressed specific concern that the ads would increase use of aspirin in individuals at risk from strokes, liver or renal disease, gout, peptic ulcer and other conditions which can be complicated as a result of aspirin use. He noted that for the purposes of the study, researchers used only healthy doctors with no aspirin intolerance, peptic ulcers or cardiovascular problems.

Under the agreement reached between aspirin industry, FDA and the FTC, manufacturers have stopped claiming that aspirin can prevent *first* heart attacks, but will continue to promote the drug as useful in the prevention of *second* heart attacks.

Nevertheless, FDA continues to discourage claims to consumers that aspirin can aid a cardiac condition, contending that an individual with heart disease should have a doctor's care and advice. (The agency has, however, approved the promotion of aspirin to physicians as a potential aid in curbing second heart attacks.)

According to Young, when the final FDA report on the latest study is available, doctors will have clear guidelines to use in determining which of their patients will benefit from an aspirin every other day and which might be hurt. The Commissioner said the agency is "expediting" analysis of the new aspirin study to provide prompt "physician's labeling" on aspirin regarding its use in preventing first heart attacks.

Pharmacies rethink home health strategies

Chain and independent pharmacies looking to carve a niche for themselves in an overcrowded drug store marketplace are rethinking their front-end business and becoming providers of home health care supplies, equipment, and services.

Some industry observers believe home health care could put a little zing back into slumping register sales, as traditional front-end drug store business continues to erode because of competition from such non-traditional drug outlets as supermarkets, combos, and deep discounters.

It is estimated that home health care, fueled by an aging population, could become a $12 billion to $14 billion business by the end of the decade.

By the year 2000, the number of Americans aged 85 or older will grow 83 percent, putting that age group at about 4.9 million people. And because a large percentage of those octogenarians-plus can take care of themselves, sales of home health care supplies cannot help but grow.

A survey conducted by National Health Interview's *Supplement on Aging* reported that over half of all individuals 85 years and older have no difficulty walking, going outside, getting into or out of bed, bathing, dressing, using the toilet, preparing meals, using the telephone, shopping, doing light housework, or managing money.

As would be expected, a report from the Bureau of Labor Statistics clearly shows that health spending in this country is proportional to aging.

On the average, American households spent $157 on medicines and medical supplies in 1984, but according to the study, those households headed by an adult aged 65 to 74 spent an average of $211 on medicines and medical supplies. Medical spending rose to $292 for households headed by an adult aged 75 or older.

Although home health care may appear on the surface as the retail pharmacist's salvation, chain and independent drug stores have approached the business with extreme caution.

According to one vendor of home health care supplies and equipment, most retailers are still testing the waters with limited inventories and limited marketing. He said that's an area in which suppliers should be more helpful.

Sales of incontinence products are expected to double by 1990.

"Part of our goal is to educate pharmacists. We can help them achieve their goals."

But many drug retailers are still concerned about high costs of inventory, greater space requirements for durable medical equipment like wheelchairs and walkers, complicated third-party billing procedures, and a heavy emphasis on patient counseling.

While some chains, including Hook-SuperRx, Peoples, and Thrift, have become major players in the home health care field, smaller independents look to their drug wholesalers for guidance.

That cry for help from the independents prompted McKesson to develop a new home health care division. According to John Robinson, president of the new division, McKesson has teamed up with such notable home health care companies as Everest & Jennings, Johnson & Johnson, DeVilbiss, and Mountain Medical.

Pharmacies have been cautious in their approach to the home health care market due to concern over space requirements.

The number of Americans over age 85 will grow 83 percent by the year 2000; with this comes an increasing demand for medical supplies and equipment.

It is McKesson's mission to deliver the same kind of wholesaler-to-pharmacists relationship through its home health care division that the pharmacists are currently receiving through the San Franciso-based wholesaler's drug division.

"We're telling home health care dealers that we have the ability to look at their whole business, unlike an individual supplier," said Robinson.

Unique opportunities

Opportunities in home health care lie not only with traditional items like heating pads and wheelchairs, but also more sophisticated items like intravenous feeding devices and home oxygen. Because patients are leaving hospitals quicker and sicker, the home health care market has grown to include at-home treatments of medical conditions once thought treatable only in a hospital.

One promising area for retailers is in the treatment of dialysis patients. Thanks to a process known as Continuous Ambulatory Peritoneal Dialysis (CAPD), developed by Baxter Travenol, patients are able to treat themselves at home with equipment purchased at a local clinic. Sales of CAPD equipment have increased approximately 40 percent a year and now stand at over $100 million annually.

We've made it easier than ever to get Medical Equipment at home...
Pathmark
Home Health Care Center
Visit the Home Health Care

Pharmacies respond to the need for at-home medical treatments.

In another area of at-home treatment, cancer patients can now be treated with a variety of intravenous treatments from chemotherapeutic agents to nutritional supplements. But according to some home health care providers, one of the most promising areas is in antibiotic infusion currently being fueled by product from Baxter Travenol, Abbott, and American Continue-Care.

A continuing source of income for pharmacists will be in the area of incontinence products and the diabetic market.

Diabetes remains one of the most common self-treated disorders. It is estimated that 25 of every 1,000 people are known diabetics, and approximately another 25 have the disease without knowing it. Direct medical costs of treating diabetes are approximately four percent of all health spending. Retailers who cater to the diabetic usually create a loyal following.

Pharmacists are also key outlets for the sale of products to help incontinents, a problem that affects approximately 2.2 million individuals over 65. Sales of incontinence products is expected to double by 1990 to $495 million.

Drug stocks are outperforming the DJIA so far in 1988

NEW YORK — Drug chain stocks, led by Big B, Perry, and American Stores, have significantly outperformed the Dow Jones Industrial Average so far in 1988.

Drug wholesaler stocks have similarly come on strong, led by growth from Cardinal Distribution and Bindley Western Industries, the *Drug Store News* stock indexes show.

Retail stocks on March 31 were 24 percent above their Jan. 1 values. They dropped by April 4—up only 16 percent—because Begley Co.'s stock price was omitted, since it stopped public trading after Rite Aid's tender offer.

With Begley's price factored out in January, the remaining retail stocks posted 22 percent growth through April 7. That compared with a 6 percent growth of the DJIA in that period.

Wholesalers gained 22 percent from Jan. 1 to April 7.

Perry Drugs, priced at $5.50 at the first of the year, doubled to close at $11 April 7, leading the chains in growth. Big B—at $15 April 7—was up 32 percent. Medicine Shoppe was up 30 percent.

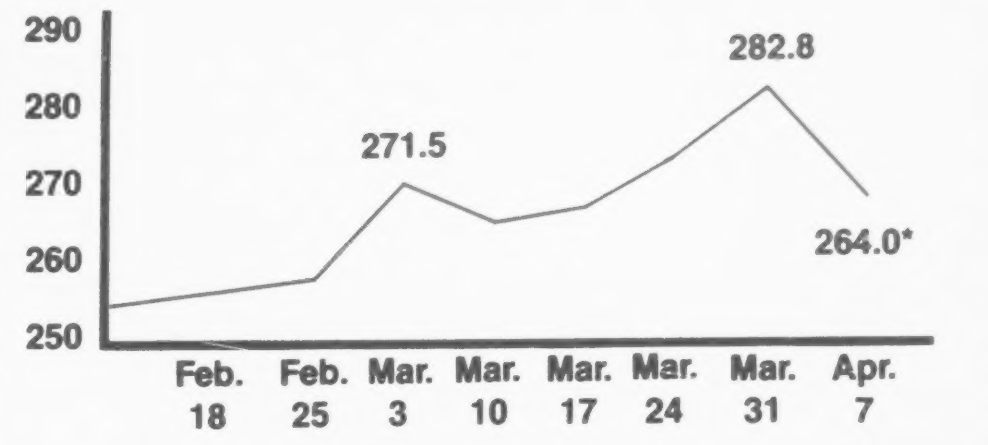
Other strong growth chains from Jan. 1 to April 7 were American Stores and Walgreens, both up 24 percent; Longs, up 20 percent; Genovese, up 16 percent; and Rite Aid, up 11 percent.

Bindley Western led wholesaler growth with a 50 percent gain, followed by Cardinal Distribution, which was up 44 percent.

Other leaders were Durr Fillauer, also up 44 percent; Owens & Minor, up 34 percent; Bergen Brunswig, up 27 percent; and McKesson, up 23 percent.

***Drug Store News* Drug Chain Stock Index**

Total stock values of 13 public companies
2/18/88-4/7/88

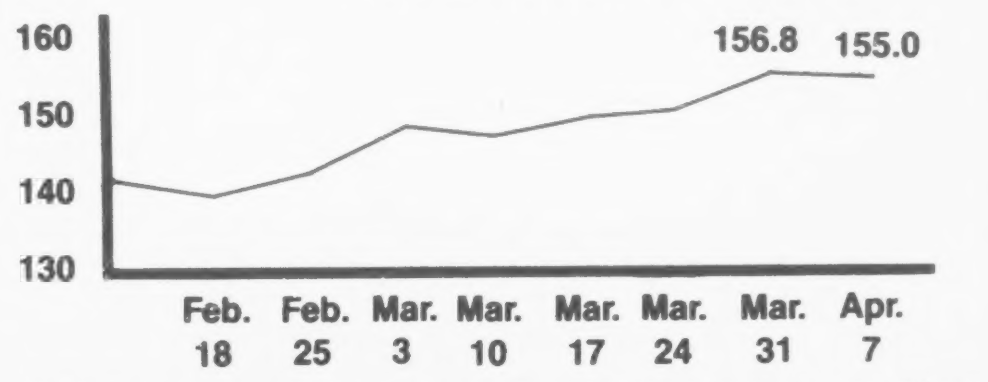


The *Drug Store News* Drug Chain Stock Index is the total of the stock prices of these 13 companies: American Stores, Arbor, Begley, Big B, Fay's, Genovese, Longs, Medicare-Glaser, Medicine Shoppe, Pay 'n Save, Perry, Rite Aid, and Walgreen.

*The April 7 plot point omits Begley Co., which stopped trading on the open market, and therefore drops from the index, after Rite Aid's successful buyout. Begley's price on March 31 was 27⅝.

***Drug Store News* Drug Wholesaler Stock Index**

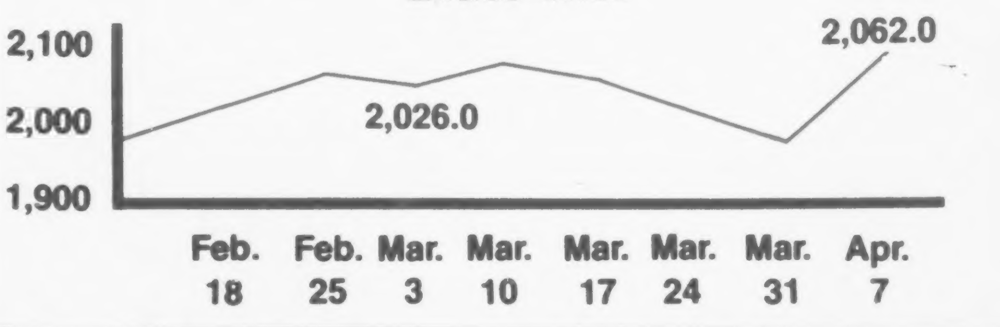
Total stock values of nine public companies
2/18/88-4/7/88



The *Drug Store News* Wholesaler Stock Index is the total of the stock prices of these nine wholesale companies: Alco Health Services, Bergen Brunswig, Bindley Western Industries, Cardinal Distribution, Durr Fillauer, Ketchum, McKesson, Moore Medical, and Owens & Minor.

Dow Jones Industrial Average

2/18/88-4/7/88



		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 03/25/88 - 04/11/88								Latest 12 Months vs Preceding 12 Months Change			Indicated Dvd. Rate	
					Change		52-Week							
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last Fiscal Year	Amt.	Pct.	Latest P/E Ratio	Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	66.50	54.50	66.13	9.50	16.78	86.25	41.50	4.19	.40 f	10.6	15.8	.84	1.3
Arbor Drugs	ARBR	11.75	11.50	11.75	.25	2.17	19.25	7.50	.81	.01 s	1.1	12.9	.00	.0
Begley Co	BGLY	29.00	27.50	27.63	-1.38	-4.74	30.00	8.00	.04	-1.97 n	-100.0	NE	.00	.0
Big B	BIGB	15.00	12.63	15.00	2.38	18.81	15.38	9.13	.94	.33 f	54.1	16.0	.12	.8
Dart Group	DARTA	75.00	72.00	75.00	-1.00	-1.32	170.00	59.00	19.24	-17.49 n	-100.0	NE	.13	.2
Fay's Drug	FAY	9.13	8.13	8.75	.63	7.69	9.50	5.25	.45	.16 f	55.2	19.4	.20	2.3
Genovese Drug	GDX	12.88	12.13	12.38	-.38	-2.94	16.13	7.25	.69	.35 f	102.9	17.9	.16	1.3
Longs Drg Strs	LDG	36.88	34.50	36.63	2.00	5.78	41.00	25.13	2.33	.55 f	30.9	15.7	.80	2.2
Medicare Glaser	MGCO	2.50	2.00	2.50	.25	11.11	5.25	2.00	.21	.08 n	200.0	20.8	.00	.0
Medicine Shoppe	MSII	26.50	24.25	24.75	-1.75	-6.60	26.88	16.50	.83	.17 q	23.9	28.1	.05	.2
Pay n Save	PAYN	5.63	3.25	5.50	2.13	62.96	8.13	3.13	-1.57	.90 q	NE	NE	.00	.0
Perry Drug	PDS	9.75	8.38	9.63	-.13	-1.28	13.38	5.25	-.78	-2.25 q	-100.0	NE	.00	.0
Rite Aid Corp	RAD	40.38	36.25	40.38	3.88	10.62	46.25	28.50	3.41	1.52 f	80.4	11.8	.74	1.8
Walgreen Co	WAG	37.38	30.63	35.38	4.63	15.04	44.88	24.75	1.68	.16 q	9.9	20.0	.60	1.7
Wholesaler's transactions														
Alco Hlth	AAHS	18.00	16.88	16.88	-.13	-.74	21.00	10.88	1.39	.29 q	24.2	11.3	.12	.7
Bergen Bruns	BBCA	26.88	25.13	25.50	-.13	-.49	27.50	14.38	1.19	.69 s	60.0	13.9	.32	1.3
Bindley Wstn	BIND	10.88	9.50	10.00	.50	5.26	13.50	5.63	.30	-.53 f	-63.9	33.3	.00	.0
Cardinal Distrb	CDIC	15.75	15.25	15.75	.00	.00	21.81	10.38	1.11	.15 n	14.9	13.6	.08	.5
Durr Fillauer	DUFM	12.63	12.25	12.38	.00	.00	12.75	7.25	.87	.05 f	6.1	14.2	.17	1.4
Ketchum	KCH	8.25	7.50	7.75	-.38	-4.62	25.38	6.50	-1.40	-4.55 n	NE	NE	.00	.0
McKesson Cp	MCK	33.50	31.25	33.00	.25	.76	38.88	23.25	1.95	-.21 n	-9.7	16.9	1.28	3.9
Moore Med	MMD	17.00	15.63	16.38	-.63	-3.68	30.75	11.50	1.46	-.07 f	-4.6	11.2	.00	.0
Owens Minor	OMI	18.38	16.75	18.25	1.13	6.57	22.00	11.75	1.42	.18 f	14.5	12.9	.36	2.0
Manufacturer's transactions														
Abbott Labs	ABT	51.25	46.00	50.13	3.75	8.09	66.38	40.00	2.78	.46 f	19.8	18.0	1.20	2.4
Am Home Prod	AHP	78.75	74.50	77.38	-.75	-.96	96.75	62.00	5.73	.55 f	10.6	13.5	3.60	4.7
Baxter Travenol	BAX	24.25	22.25	23.50	.75	3.30	37.50	15.50	1.10	.31 f	39.2	21.4	.50	2.1
Block Drugs Co	BLOCA	29.50	26.75	28.50	-.50	-1.72	32.53	20.41	1.97	.28 n	14.7	13.0	.56	2.0
Bolar Pharm	BLR	24.25	21.25	23.75	1.88	8.57	26.50	11.00	.91	.39 f	75.0	26.1	.03	.1
Bristol-Myers	BMY	43.63	39.88	42.75	.63	1.48	54.13	28.25	2.47	.40 f	19.3	17.3	1.68	3.9
Carter-Wallace	CAR	41.25	39.50	41.25	.00	.00	57.00	24.00	2.14	.37 n	17.8	16.8	.54	1.3
Forest Labs	FRX	18.63	16.88	18.50	.88	4.96	29.88	13.13	.77	.22 n	31.9	20.3	.00	.0
ICN Pharm	ICN	7.75	7.00	7.25	-.50	-6.45	15.13	5.63	-1.70	-2.22 f	-100.0	NE	.00	.0
Lilly Eli Co	LLY	85.88	80.75	82.88	-2.88	-3.35	107.75	57.75	4.41	.40 f	10.0	18.8	2.30	2.8
Lee Pharm	LPH	4.63	4.13	4.25	-.38	-8.11	9.25	2.75	-.48	-2.22 q	-100.0	NE	.00	.0
Leiner P Nutri	PLI	9.13	8.38	9.00	.50	5.88	20.50	6.13	1.01	-.05 n	-5.2	9.8	.00	.0
Marion Labs	MKC	22.00	18.38	20.88	-1.50	-6.70	41.50	18.38	.61	.34 s	75.6	26.4	.28	1.3
Merck & Co	MRK	166.75	155.25	165.38	3.88	2.40	223.00	144.00	6.68	1.83 f	37.7	24.8	3.84	2.3
Morton Thiokol	MTI	45.38	40.25	45.13	3.88	9.39	54.75	31.00	2.90	.42 s	15.2	14.1	.84	1.9
Mylan Labs	MYL	10.25	9.50	10.13	.13	1.25	16.50	7.63	.65	.07 n	11.7	15.1	.10	1.0
Newport Pharm	NWPH	4.25	4.00	4.00	-.13	-3.03	8.25	2.38	-.17	-.27 s	NE	NE	.00	.0
Par Pharm	PRX	18.50	17.50	18.38	.38	2.08	27.25	12.13	.97	.49 q	86.0	17.3	.00	.0
Pfizer Inc	PFE	57.75	54.38	57.25	1.25	2.23	76.50	40.00	4.08	.18 f	4.6	14.0	2.00	3.5
Robins, AH	QRAH	26.00	25.25	25.63	-.88	-3.30	29.63	12.25	-6.76	-10.14 f	-100.0	NE	.00	.0
Rorer Group	ROR	34.75	32.75	33.75	-.75	-2.17	40.34	19.84	1.68	-2.18 f	-56.5	20.1	.80	2.4
Scherer RP Cp	SCHC	17.88	15.25	17.88	3.38	23.28	20.50	11.25	.80	.90 n	1000.0	18.1	.36	2.0
Scher Plough	SGP	53.50	47.75	53.25	2.50	4.93	57.38	31.25	2.73	.56 f	25.8	19.5	1.20	2.3
Squibb Corp	SQB	65.75	61.00	64.75	-.25	-.38	102.88	55.25	3.42	.85 f	33.1	18.9	1.60	2.5
Syntex Corp	SYN	36.13	32.75	35.88	.88	2.50	48.75	20.00	2.07	.47 s	25.5	15.5	1.00	2.8
Thompson Med	TM	15.25	11.50	15.25	2.63	20.79	25.00	8.38	1.11	.40 q	44.4	11.7	.40	2.6
Upjohn Co	UPJ	30.50	28.50	30.00	-.50	-1.64	53.75	22.63	1.63	.28 f	20.7	18.4	.72	2.4
Warner-Lambrt	WLA	75.75	70.50	75.13	1.25	1.69	87.50	48.25	4.15	-.03 f	-.7	18.1	2.16	2.9
Zenith Labs	ZEN	2.88	2.38	2.63	-.13	-4.55	11.63	2.38	-.19	-.76 n	-100.0	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	32.25	28.00	31.75	3.38	11.89	34.00	20.25	1.88	.38 f	25.3	16.9	.56	1.8
K mart Cp	KM	36.88	32.63	36.75	3.13	9.29	48.38	21.63	3.40	.42 f	14.1	10.8	1.16	3.2
Melville Cp	MES	69.00	63.00	68.50	3.88	6.00	84.00	44.25	5.25	.85 f	19.3	13.0	2.10	3.1
Penney, JC	JCP	50.50	46.63	49.63	2.13	4.47	66.00	35.25	4.11	.58 f	16.4	12.1	2.00	4.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA	Item not applicable to this type of stock.	q	First quarter
NC	Data required for calculation currently incomplete in our files.	s	First six months
NE	Negative earnings invalidate calculations.	n	First nine months
NM	No meaningful figure.	f	Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Giant sales, earnings up in 4th quarter, year

LANDOVER, Md. — Giant Food Inc., which operates supermarkets and food/drug combination stores, posted substantial increases in sales and earnings for the fourth quarter and year ended Feb. 27.

For the fourth quarter, net income rose to $27.15 million, or 90 cents per share, on sales of $883.1 million. For the comparable quarter last year, net income was $14.98 million, or 50 cents per share, on sales of $861.2 million.

For the year, net income was $75.6 million, or $2.51 per share, on sales of $2.7 billion, compared with last year's net income of $46.5 million, or $1.55 per share, on sales of $2.5 billion.

Melville sales, earnings post gains

HARRISON, N.Y. — Melville Corp., owner of CVS and Freddy's deep discount drug stores, had increased sales and earnings for the fourth quarter and year ended Dec. 31.

For the fourth quarter, net income reached $161.9 million, compared with $133.7 million in the like period in 1986. Sales rose to $2.01 billion, from $1.73 billion.

For the year, net income increased to $285.4 million, from $238.3 million a year ago. Sales climbed to $5.9 billion, compared with $5.3 billion last year.

5/9/88

C5150-2

At Breakers, focus is on people
— *In the Market, page 6*

Chains fig
ethnic sh

pacts
reedom
— *Page 43*

0028703C DR
JEANNE LONG
CONGRESSIONAL INFORMATIO IF5
4520 EAST-WEST HIGHWAY/#800
BETHESDA MD 20814

DRUG STORE NEWS®

Vol. 10/No. 10 Our 60th year of serving chains, wholesalers and high-volume independents Published by Lebhar-Friedman Inc. May 9, 1988

Revco in financial restructuring; calms vendors on commitments

By James Frederick

TWINSBURG, Ohio — Staggered by a heavy debt load, Revco D.S. has begun a major effort to reorganize its equity structure and financial obligations and reassure its vendors that it will meet its commitments.

In mid-April, Revco replaced Salomon Brothers as its investment banker with junk bond specialist Drexel Burnham Lambert to help the company develop a new capitalization plan with its bond holders and a more realistic payment schedule with its lending banks. The bond recapitalization plan will shortly go before the Securities and Exchange Commission for approval, and Revco chairman and ceo Boake Sells expressed hope that the company would be on a more solid footing with its creditors by late summer.

"Within three weeks, we

See **Revco**, *page 53*

Chain-ging of the guard

Jack Robinson, left, chairman of the National Association of Chain Drug Stores for the past year, introduces the chairman for 1988-89, Stew Turley, chairman and ceo of Jack Eckerd Corp. Under Robinson, who is also chairman of Perry Drug Stores, the NACDS has undergone some dramatic changes, including the selection of a new president, Ron Ziegler, to replace Bob Bolger. More than 2,400 chain drug and associate supplier company members attended the association's annual meeting at the Breakers, the largest ever.

Carls sale to add heat to upstate New York market

ROME, N. Y. — The just-completed purchase of Revco's Carls Drug Co. division by Victory Markets will add heat to drug store competition in upstate New York, as Victory flexes its capital muscle to expand the Carls operation and exploit synergies between the two retail companies.

For Revco, the sale pumps much-needed cash into its coffers as the company works to meet its debt-service obligations. Revco said it is confident it will make a $37.5 million principal payment on senior bank debt due May 27.

Victory Markets and Revco finalized a deal for the sale of

See **Carls**, *page 53*

Carls
DRUGS

A Carls Drug unit in Elmira, N. Y. New parent Victory plans expansion for chain.

Cullum's Drugs Plus sees deep-discount opportunity

Has scanners, big home health care dept.

By Susan Ball

DALLAS — With the opening of its first Drugs Plus store here May 1, Cullum Cos. has stepped from the sidelines into the deep discount game, and it's playing some positions left unguarded by local opponents.

For starters, Drugs Plus, situated in a strip center in northeast Big D, is equipped with front-end scanning, unlike such competitors as Drug Emporium and Texas Drug Warehouse.

In addition, Drugs Plus is offering 40-percent discounts on home health care needs, and the extensive (in excess of 60 feet) department carries an array of large equipment, such as wheelchairs, for rent and sale. "Very few folks discount such things," said Mark Malone, Drugs Plus coordinator, who noted that the first Drugs Plus is located in an area that includes three or four nursing homes, several doctors' offices and many retirees.

The new deep discounter is literally up front with what it considers two key departments: One of the two front entrances leads into pharmacy, in the front righthand corner; the lefthand entrance leads into the video section, with 6,000 rental titles.

"Customers have unrestricted access; they don't have to pass through a turnstile to get to pharmacy, for example, which is especially convenient for older people," Malone said. He estimated that the three pharmacists will start off handling about 1,000 prescriptions a week.

Drugs Plus' video section is self-service: customers select the actual tape they want ("not just the empty container"), pay for it—93 cents per tape—and have it passed to them through a sensor-equipped opening, Malone explained. There are two checkouts in the video section, in addition to six at the front and one in cosmetics.

Other features distinguishing Drugs Plus' mix from some other deep discounters include a full variety of baby formula; 32 feet of pet supplies and sundries at under 25-percent markup; and acceptance of charge cards.

At 23,500 square feet, the first deep-discount store is smaller than the five others the new division plans to open this year. "You really need 28,000 to 30,000 [square feet]," said Malone, who joined Cullum in February and

See **Cullum**, *page 53*

LATE NEWS

- LOS ANGELES — Aided by a 28-percent increase in Thrifty first-quarter profits to $22.7 million, Pacific Enterprises, Thrifty's parent, reported a 1-percent increase in net income from continuing operations, to $64.2 million for the first quarter ended March 31, on $1.49 billion revenues.
- TAYLOR, Mich. — Mickey Kole, who resigned as group vp of Perry Drug Stores early this year after a 30-year career with the chain, has been named president of National Wholesale Drug Co., a $130 million drug wholesaler and periodical distributor based here.
- HARVARD, Ill. — Wal-Mart Stores is nearing Chicago's metropolitan area with plans for its first stores in northeastern Illinois. The 1,140-store chain is preparing a 41,000-square-foot store for an August opening in Harvard, about 70 miles northwest of Chicago, and will also open new stores in the northern Illinois towns of Pontiac, Round Lake Beach and Rockford over the next year.

Taylor is dominant in Louisville with its purchase of Otto Drugs

LOUISVILLE, Ky. — In a move that gives it market share dominance over Walgreens in this metropolitan area, Taylor Drug Stores has bought Otto Drugs Inc. for an undisclosed amount.

"We've been talking off and on with Otto for the past 10 years," said William H. Harrison Jr., chairman and ceo of Taylor, the country's oldest drug store chain, founded here in 1879. The agreement "was about as friendly as you

See **Taylor**, *page 53*

Otto makes graceful exit; chain was strong in Rx, seasonals

LOUISVILLE, Ky. — After almost 20 years, in which it quietly built itself up to a 15-store chain second only to Walgreens in per-store sales volume in this market, Otto Drugs is making a graceful exit from the drug store scene.

"Of course, there's sadness in leaving," said Otto's retiring president, Charlie Grantz, 65, "but a time comes. . . and it will be nice to go play golf and fish a little."

Besides, "we couldn't figure out how to leave it to our 21 kids," Grantz said of himself and Irvin J. Kupper, 62, Ot-

See **Otto**, *page 53*

NEWS IN BRIEF

Revco sells Crown Store Equipment Co.

HOLLAND, Ohio — Revco said it has sold the Crown Store Equipment Co. to David Barker and Ron Madden of Meridian Holdings, Inc., the U.S. affiliate of Meridian Holdings, Ltd., Great Britain, and Fred Brown, a U.K. drug store retailer. The sale of the company, which designs and makes store fixtures, was completed March 28 for an undisclosed amount. Barker said Meridian plans to expand Crown rapidly as a major fixture vendor and add European fixture designs.

Besides a plant here, Crown has woodworking plants in New Castle, Va. and Pineville, La.

Stevens succeeds Robertson at Meyer

PORTLAND, Ore. — Fred Meyer has named Frederick Stevens to succeed Oran Robertson as chairman and chief executive. Stevens, 51, last served as executive vp in charge of specialty retailing at K mart, where he oversaw the operation of Pay Less NW and other specialty divisions. Robertson, 70, remains a director.

Fred Meyer is a leading Northwest retailer of food, drug, general merchandise and home improvement products, with sales of $1.36 billion and net income of $18.3 million in the first nine months of this fiscal year.

Thrift names three top merch execs

PITTSBURGH — Thrift Drug has named three executives to new management posts, president Robert Hannan announced. Robert Verscharen was appointed general merchandise manager. He is responsible for drug purchasing and repacking, the supervision of drug wholesalers and all purchasing activity in durable medical equipment, optical, and mail-order pharmacy. He will also oversee development of new in-store health care programs.

Donald Green, marketing manager since 1982 for cosmetics and private label H&BA, has been promoted to general merchandise manager. He will be responsible for OTC drugs, cosmetics, candy, tobacco, and private label.

Ronald P. Reagan was named merchandise manager for imports and convenience lines. In addition to managing the import program, Reagan will have responsibility for convenience line purchasing activities.

Leonard and Conway out at Zenith Labs

RAMSEY, N.J. — Smarting from heavy losses in the past two years, Zenith Laboratories has dismissed president and chief executive James Leonard and chief operations officer Kevin Conway. Replacing them are board chairman John Farber and new president Larry Weber, a management consultant.

Zenith is also proposing a number of cost-cutting measures and is negotiating with creditors to ease debt burdens, which have risen sharply in the past year after manufacturing irregularities were uncovered by the FDA. In 1987, Zenith's sales dropped 14 percent and the company had a loss of $11.8 million.

Zenith has worked with the FDA to correct its plant problems, and Farber said drug sales are again on the rise. In addition, the company has developed several new products for marketing following FDA approval.

INDEX

Ads and
  Promotions 4
Beauty Trends:
  Beauty Beat 26
  Category in Motion . 26
  Ethnic
  Merchandise 11
Cohen's Capsules . . . 43
Financial 54
In the Market 6
Opinion 6
People in the News . . . 8
Pharmacy 43
Product Updates 39
Trends:
  Stationery 29
  Deodorants 37
  Vitamins 38
Washington
  Perspective 6

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus an extra Annual Pharmacists Guide to Rx/OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.
Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1988 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.
Vol. 10, No. 10 May 9, 1988

Genovese launches full-line home health care program

Merchandising Spotlight

MELVILLE, N. Y. — Genovese Drugs is projecting $2 million in first-year sales from a full-line home health care program it has launched in a joint venture with a Pittsburgh-based home health company.

The program is called Genovese Med Care. Genovese Drug customers use an 800 number publicized in the chain's 83 stores to order home health items, have them delivered to their homes, and be trained in their use, said Ralph Rescildo, Genovese's vp-pharmacy services.

Genovese's partner in the program is Medical Supply Service, Inc., a 19-year-old home health care company operating in nine East Coast states. JC Penney subsidiary Thrift Drug of Pittsburgh had worked with MSS in a joint venture, before launching its own full-service home health care business last year.

Genovese Med Care will increase Genovese's commitment to home health care, without requiring expanded inventory investment. The chain has had limited success in its experiments with free-standing units, such as a store in Queens, N. Y., and with expanded in-line departments in several stores .

A lack of adequate computerization and difficulty in collecting accounts receivables were drawbacks, Rescildo said.

Handling all promotion of the Med Care program, Genovese will shortly begin radio ads introducing it with the theme "Genovese can take good care of you."

The radio spots will supplement newspaper ads, as well as in-store signage, bag stuffers and pamphlets at pharmacy and checkout counters. The program will also be promoted at in-line home health care sections the chain will continue operating, said Rescildo.

About 81 stores will continue stocking 24 to 36 linear feet of home health items, including crutches, incontinent products, and blood pressure and home diagnostic equipment.

Rescildo said pharmacists have been instructed on the Med Care program, and will be able to assist customers in the stores.

Customers receive information about available products and services after they call the 800 line. In-store brochures carry only brief descriptions of available items.

MSS staff work with the customers and their physicians to insure they receive products suited to their needs, and the "best buy," available, said MSS president Bob Cohn.

MSS receives consumers' orders on a 24-hour basis, delivers items—bearing the Genovese Med Care label—into the home, and demonstrates their operation.

The company has built a 25,000-square-foot warehouse in West Babylon, on Long Island, to service the Genovese markets. Trained staff and delivery trucks are at the site and offer 24-hour emergency deliveries. The company processes all Genovese Med Care consumer and third-party payments. A shared services agreement dictates the fee received by MSS.

Rescildo said the program's high level of responsiveness and expertise will be a key positioning factor against competition, which consists of in-

See **Genovese,** *page 53*

Holmes fills Revco's CFO slot

TWINSBURG, Ohio — William Holmes has been named executive vp-finance and chief financial officer of Revco D. S., in charge of all corporate financial and accounting functions. He succeeds Vito Cardace, who resigned in March.

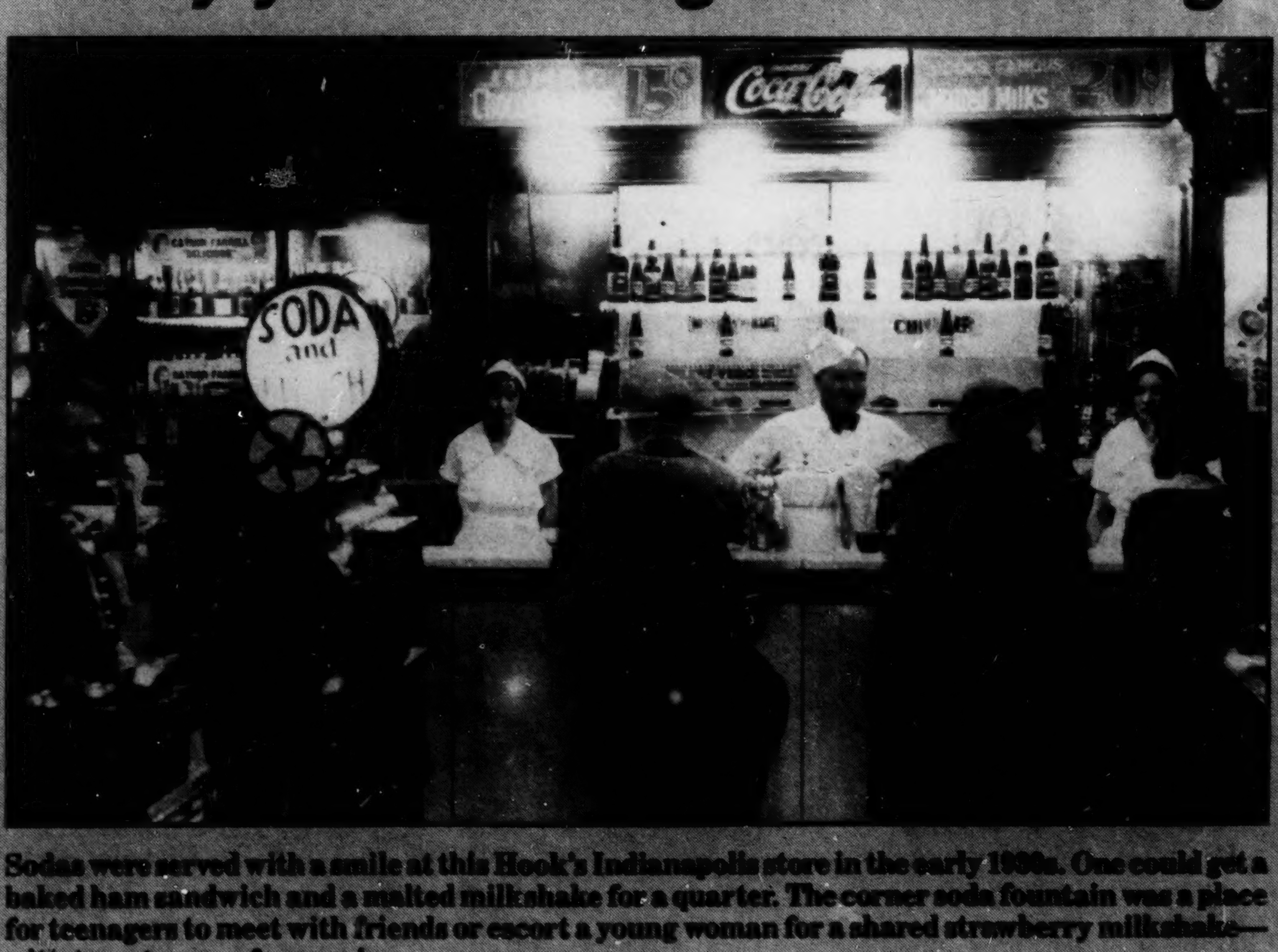
Holmes, 42, spent nine years with Republic Steel Corp. and last worked as vp-finance and cfo for Cleveland-based M. A. Hanna Co., a Fortune 500 maker of plastics. At Hanna, he spearheaded a major recapitalization program resulting in a $500 million acquisition program.

In a related move, Revco promoted John Robert Lang to vp and corporate controller, succeeding David Stitt, who has resigned. Lang, who came to Revco in March as head of marketing analysis, will now oversee general accounting, accounts payable and other functions, reporting to vp-financial controls Mo Aziz.

Revco also recently named Walgreen veteran Simon Eisenberg to the new post of director of third-party marketing, in charge of developing mail-order pharmacy and other programs for the chain. Eisenberg, who served as a pharmacist and pharmacy supervisor for Walgreens for nearly 20 years, will be responsible for planning, organizing, directing and controlling group marketing activities. As such, he will review third party contracts, develop and implement Revco's administrative and mail-order pharmacy programs, and negotiate third-party contracts.

"We look forward to utilizing Eisenberg's expertise in establishing a variety of drug programs that will keep us on the cutting edge," said Robert Mandelbaum, vp of Revco's third-party operations.

Sixty years of drug store retailing



Sodas were served with a smile at this Hook's Indianapolis store in the early 1930s. One could get a baked ham sandwich and a malted milkshake for a quarter. The corner soda fountain was a place for teenagers to meet with friends or escort a young woman for a shared strawberry milkshake—with two straws, of course!

BEAUTY TRENDS

Industry fights for ethnic market share

'Committed' chains and high-volume independents show some strength against inroads made by food stores and mass merchandisers

Drug chains with stores in ethnic markets are making a special effort to court black shoppers today. Many chains are "fine tuning" their mix to offer a varied selection of the best selling brands and the hottest fashion items. Their objective is to please the ethnic shopper and in the process "woo her from the food, discount and beauty/barber store competitors."

The ethnic category did not have fashion on its side in 1987, and that made for another tough year for the category.

According to A.C. Nielsen Market Research estimates, the total category was flat in 1987, with sales up just 2.4 percent to $265.9 million.

Ethnic sales in the drug store industry were down 5 percent to $152.8 million, according to Nielsen estimates, but because of aggressive promotions, some chains and some regions did better than that.

Executives with stores in what they called "strong ethnic neighborhoods" reported doing well with the category in those particular stores, and management for chains like Peoples Drug, Perry Drug and Walgreens said they were expanding their presence in ethnic to make sure the black shoppers realize that all their stores are "committed" to the category.

Food and mass merchandise stores are also trying to solidify their position in the category, and last year, chains like Wal-Mart and K mart, as well as food stores like Vons and Albertson's, were expanding their assortments and promoting ethnic brands more aggressively.

Nielsen is estimating that ethnic sales in food and mass merchandise stores increased about 3 percent in 1987.

As a result, the overall drug store industry lost sales on ethnic products in 1987, and Nielsen is reporting that their share of sales dropped 4.4 percentage points to 57.5 percent in 1987.

Ethnic distributors, who service most of the major chains with ethnic products, report that on the average, chain drug stores seem to have been hit the hardest by the competition.

The more obviously committed chains like Walgreens did well with the category, but most of the major chains only did well in select stores.

The high volume independents, distributors say, seem to have been able to protect their share somewhat better because of their flexibility.

Distributors say the independents, on the whole, have done a better job of keeping abreast of fashion trends and of bringing in the trendy new products that prompt ethnic sales.

However, even the distributors agree that there were not too many hot new products in this category in 1987.

Ethnic sales are highly dependent on fashion trends, and this year, as well as last year and the year before, fashion has not been good for ethnic product retailers.

"Hair styles are so diversified," says Geri Jones, acting director of the American Health and Beauty Aids Institute, "that some product segments have lost their broad base of users. One segment, however, is growing and that's styling aids. No matter what cut people have, they need styling aids, especially the gels.

"Moisturizers are also growing," Jones says, "because many people with relaxed hair are trying to make it wavier."

The curly look, which was responsible for so much dramatic growth just a few years ago, is still an important look, but it is no longer generating growth because fashion styles have changed. Shorter and more relaxed hair styles are in, but that story isn't good for retailers because short hair doesn't require much after-care.

Buyers and distributors confirm that the bulk of the after-care hair products selling well today are primarily lower-ticket items.

Hair conditioners are still popular, along with styling aids, and so are coloring products and products that add sheen to the hair. Foundation powders and skin creams are selling better, but they still represent just a small base of business. Appliances like curling irons and hair straighteners are continuing to do well.

Bonus packs, value packs and instant coupons have been very popular in 1987. Distributors and buyers say that consumers have been responding well to promotions featuring value. Consequently, many manufacturers right now are putting instant redeemable coupons on their packages, and they are also shipping a much higher percentage of bonus and value packs.

"There's more couponing today than at any other time in the past," says Kent Humphrey of Jack's Service Distributors in Connecticut. "Every major manufacturer has a coupon going."

In fact, ethnic product distributors and some buyers say that the coupons and the bonus/value packs have "driven" much of the growth in this category in 1987.

Some sources say the bonus packs have not been good for the category because they "take consumers out of the market for too long on key items." However, others say that even though they know they do lose some sales to consumers who stockpile, they believe they're at least generating some incremental sales from impulse shoppers.

"Sales on items with bonus

Continued on page 12

AHBAI conference to eye ethnic category strategies

The American Health and Beauty Aids Institute (AHBAI) is sponsoring three new "interaction sessions" at its sixth annual mid-year Business Conference June 26 through June 30 at the Four Seasons Hotel in Dallas.

The conference theme is "The Changing Ethnic H&BA Category: Strategies For Prosperity."

The new "Interaction" program features three sessions in which AHBAI members will be able to meet one-on-one with key industry representatives.

A social session has been developed for retailers and distributors to meet with the leading manufacturers of ethnic H&BA products. A similar session has also been scheduled for full-service beauty and barber suppliers to meet with ethnic manufacturers, and the last session will let the manufacturers meet with associate members such as chemical and packaging companies.

There will also be panel presentations and workshops at the show.

Interested parties can register by contacting AHBAI in Chicago at (312) 644-6610.

Black women are great cosmetics/fragrance shoppers, buyers and cosmeticians tell *Drug Store News*. In addition to buying black cosmetic lines like Posner and Ultra Sheen, black women also tend to buy the darker Cover Girl, Revlon & Maybelline shades. Also popular with black shoppers are designer fragrances like Passion, White Linen and Obsession. Store clerks say black shoppers willingly pay full price for the convenience of buying designer fragrances in their local drug stores.

Buyers say that shower caps & hair care accessories sell like "gangbusters" to ethnic consumers. Buyers say women are buying all sorts of hair accessories from barrettes to pony tail holders, but shower caps fill a special niche. Many black women use them to cover their hair after it's been conditioned. Caps help the conditioners really penetrate the hair and allow women the freedom to go wherever they like, while conditioning takes effect.

Ethnic consumers tell *Drug Store News* that price matters to them when they buy commodity hair care products. A value pack or a discounted price is apt to influence a purchase decision for many consumers. But shoppers also say they want certain guarantees of quality in the products they buy, and products without alcohol or lye in their formulas are especially popular today.

Hair Care
Hair Care
Hair Care

Many drug chains are getting growth from ethnic products because buyers say they are putting more departments into stores with at least 10 percent to 15 percent black traffic. Many buyers say attracting and satisfying the ethnic shopper today is "critical" to their ability to achieve "significant overall same store growth."

'Committed' chains, high-volume indys show ethnic muscle

Continued from page 11

packs have usually tripled," says Rocky Piccirillo, vp of operations of Beauty Enterprises in Connecticut. "That has got to have generated new usage." However, not everyone agrees with that assessment. In Chicago, Lou Ornstein, the president of Judith Lynn beauty suppliers, says that bonus packs "take the consumer out of the category for too long, and gets them too used to buying product only on the basis of price."

In Atlanta, Mike O'Brien of Harris Beauty Supply says he can't be sure if the bonus packs are taking the consumer out of the market longer, but he says the promotions have generated "a lot of dollars, and they have helped give the category some growth this year."

In Oklahoma, Kent Humphreys of Jack's Service says the retailer hasn't learned how to maximize the combo packs.

"You can feature combo packs and still maintain 80 percent to 90 percent of your regular sales," says Humphreys, "plus get incremental sales." Humphreys says the key is to put the combo packs on endcaps where they can generate impulse sales. "I had 31 combo items on my deal sheet last month," he says, "and they created plus business for me and for the retailer."

Steve Lund, vp of merchandising for Perry Drug, has another opinion. "I think if consumers buy a bonus pack, they tend to use more of the product and then they're back in your stores to buy more. Also, if they buy a bonus pack from me, that keeps them out of my competitor's store, and I like that."

This section was compiled and written by Elizabeth Parks.

Drug store share of ethnic hair prep sales

Year	Share
1986	61.9%
1987	57.5

Source: Nielsen Market Research, year ended Dec. 1987.

Sales of ethnic hair preps flat in 1987

Outlets	Retail sales (millions of $)	% change '87 vs '86
Drug stores	$152.8	(5.0%)
Food/mass merchandise stores	113.1	2.9
Total	265.9	2.4

Source: Nielsen Market Research, year ended Dec. 1987.